THE BUSINESS JOURNAL OF FILM, BROADCASTING, BROADBAND, PRODUCTION, DISTRIBUTION

SEPTEMBER/OCTOBER 2011 VOL. 31 NO. 5 $9.75

VIDEO·AGE international

MOVIE

www.videoage.org

In This Issue:

U.S. Studios Bracing For Awesome "Incos" Rivalry

By Dom Serafini

This is what we know: At one point in the early '80s U.S. TV network ABC wanted to get rid of its affiliates. In 1985, a group of its affiliates purchased the network.

Subsequently, in the late '80s, the U.S. TV networks lobbied politicians to eliminate certain restrictive rules because they wanted to buy the Hollywood studios that supplied content to them. In the mid-'90s the studios began buying up the networks.

"I'm the middleman and people are always trying to figure out how to eliminate me."

Today, the studios want to do away with their middlemen (retailers, exhibitors, MVPDs, digital providers, etc.). If history is a guide, it is possible that, ultimately, the middlemen will be buying the studios or the same

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Film Financing Models: Rewards Against All Odds Are Varied

If there were an Oscar for Best Film-Financing Deal, the winning transaction might look something like this: Original equity investors are returned a multiple of their initial investment within a prescribed time frame; mezzanine investors get all their interest and principle paid; senior debt is fully serviced — and possibly recycled for another favorable round of financing.

But that's not an award likely to be given out any time soon — in part because even the non-televised portion of the Academy Awards ceremony is already too long; in part because of the many challenges to achieving that sort of success in a Hollywood film-financing deal; and in part because of the extremely confidential nature of these industry deals.

Nevertheless, deals matching the above

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From Idea To Pilot: The U.S. Dream Factory Adding Obstacles

Turning an idea or concept into a TV show in the U.S. has never been easy. Nowadays, however, it's almost impossible. One cannot help but marvel at how some 103 pilots were turned into 50 series at the recent U.S. TV upfronts.

At last count, an aspiring independent scriptwriter or

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Are PIIGS Countries Affecting Int'l TV Biz?

The world has been going through the worst economic downturn since the '30s, and some countries are suffering more than others. In Europe — Portugal, Italy, Ireland, Greece and Spain (the so-called PIIGS) are all suffering dramatically. So, *VideoAge* set out to explore whether these tough times and challenging markets are affecting the international TV business.

Lionsgate Television International's Peter Iacono was reasonably buoyant. "Ireland has been reliable and steady, as have Italy and Spain," he insisted. "In fact," he added, "with new entrants to the market, Spain has been on an upswing; it's really only Greece that has been slow." Although Iacono was quick to insist that, "all our partners in Greece have been honoring their commitments, it's just that new sales have been tough."

According to Aldo Spagnoli of Funwood Media, a distributor for the Spanish TV market, the public national and regional stations are suffering the most due to government budget cuts.

And, since national channels like TVE1 and TVE2 cannot carry advertising, an alternate financing model, that assures them at least 500 million euro (out of

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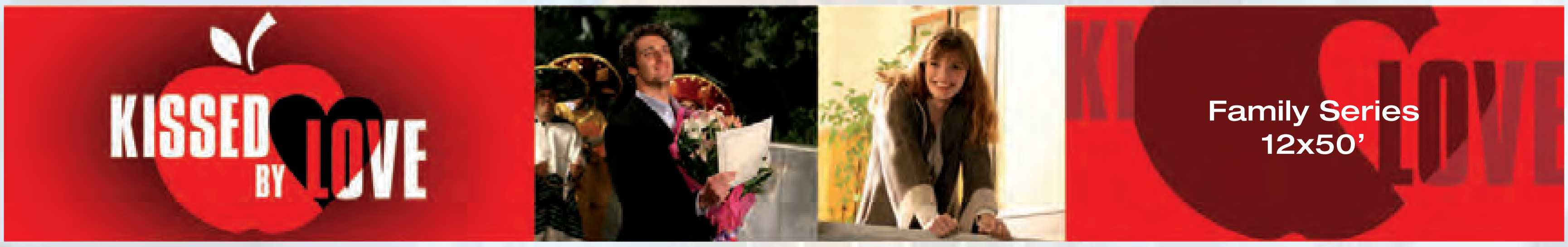
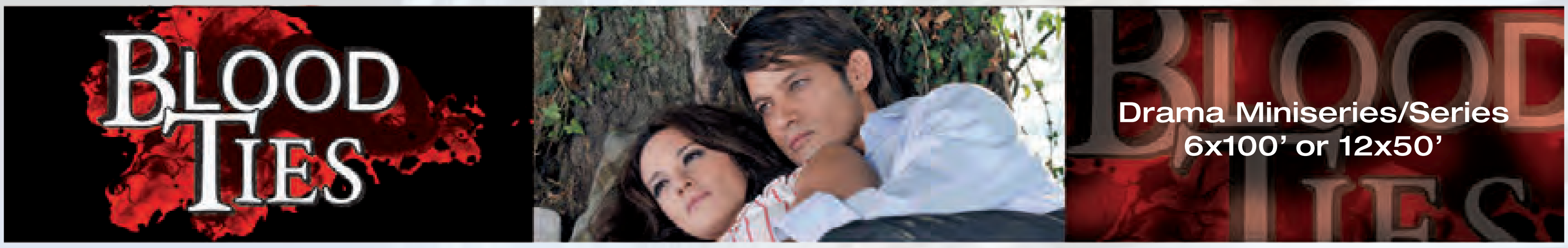
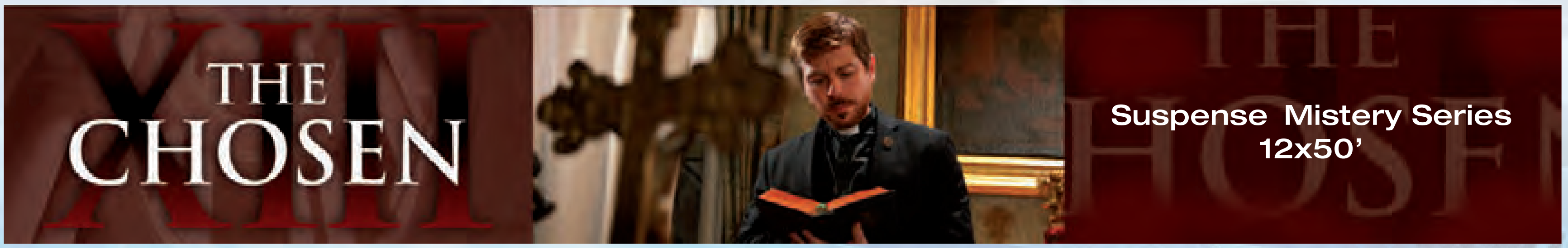
Finished Programs







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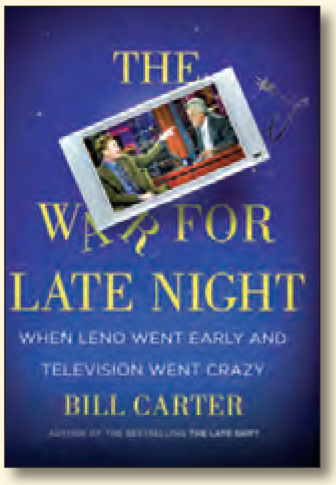

In Brazil, Fun Is An Industry

You don't have to twist Brazilians' arms to make them have fun. In Brazil, fun is a natural phenomenon, making the country well-suited for the upcoming launch of Comedy Central (CC) in early 2012.

Brazilian stand-up comedian Rafinha Bastos' success is evidence that CC's stand-up comedy is gaining ground in Brazil. Bastos is featured on two Brazilian television shows each week, has recently released a hit DVD, and has 2.7 million followers on Twitter — more than U.S. comedian Conan O'Brien.

Álvaro Paes de Barros, GM for Viacom Networks in Brazil, who is supervising the CC launch in that country, commented that comedy is "turning into an industry" in Brazil and his channel will hire Brazilian writers to help churn out more. And because American and other international humor does not always readily translate to Brazilian audiences, the channel will also air locally produced programming.

Comedy Central in Brazil will still feature hit U.S. series such as *The Daily Show with Jon Stewart*, *The Colbert Report*, *South Park* and *Ugly Americans*, as well as stand-up, with subtitles for Brazilian audiences.

According to Paes de Barros, the company's research indicates that due to globalization, there is indeed an audience for CC comedy in Brazil, specifically among urban males ages 24-35. The fact that cable TV is growing in Brazil contributed to the decision to launch the CC brand in that country.

NBC Sports Scores A Goal

In its latest attempt to outdo U.S. cable networks ESPN and Fox Sports, Comcast's NBC Sports Group secured a broadcast and cable rights deal with Major League Soccer (MLS), as football is called in the U.S. In this new deal, NBC Sports picked up the package that previously belonged to Fox Sports (Fox Soccer was only carrying one game a week).

Comcast's regional sports channels already carry MLS games, and according to the deal, MLS football will now be carried on NBC and Versus, the cable sports channel soon to be renamed NBC Sports Network. Versus is currently distributed in approximately 80 million U.S. homes, compared to just under 40 million homes for Fox Soccer.

In total, the deal encompasses 45 games, most of which will be broadcast on cable. NBC will air two regular-season games and appearances by the U.S. men's national team. Although the terms of the deal were not revealed, estimates reportedly put the price somewhere between $10 million to $12 million over three years.

However, it is said that the Walt Disney Co.'s ESPN is still *the* place for Major League Soccer, as it carries the majority of the major games. Univision, a Spanish-language broadcaster in the U.S., also has rights to MLS.

In addition, NBC Sports recently inked deals to keep U.S. rights for the Olympic Games through 2020, as well as National Hockey League games.

Zappia Is New CEO Of Sky Italia

Last August, News Corp. announced that Andrea Zappia was appointed chief executive officer of Sky Italia. Zappia replaced Tom Mockridge, who left Sky Italia to become chief executive, News International in London. Prior to this new position, Zappia served as managing director, Customer Group, BSkyB in the U.K.

He joined BSkyB in February 2010, and was charged with leading its sales, marketing and customer operations teams. Zappia was also responsible for customer acquisition and retention for the company's broadband, home telephony products and pay-TV. But before that, he worked at Sky Italia for seven years, most recently as vice president, Sports Channels. From 2003 through 2007 Zappia served as VP, Marketing, Promotion and Business Development at Sky Italia. Zappia has also worked at Ferrari, Fila and Procter & Gamble in various senior marketing positions.

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WHO WILL BE THE NEXT BIG NAME IN MOVIE MAGIC?
FACE OFF
A BATTLE OF IMAGINATION AND TRANSFORMATION
NBCUniversal

(Continued from Page 4)

CCTV-RAI Co-Pro Opens Windows

Marco Polo's travels to China are well known, but there is a similar individual, up to now little known: Matteo Ricci, who in 1607 — over 300 years after Polo — arrived at the Imperial Court of Beijing with the task of evangelizing China.

Ricci's story will be retold in *La Cina Vicina* (*Nearby China*), a documentary film directed by Duilio Giammaria, co-produced by RAI-TG1, RaiWorld, the Chinese state television group (CCTV), the Region of Marche, the Italian Ministry of Foreign Affairs, and the Italian Ministry of Economic Development.

The co-production agreement between RAI and CCTV (brokered by RAI's recently established RaiWorld) has been developed in the wake of the Matteo Ricci exhibition, which was organized by the Marche Regional Government in four Chinese cities.

Ricci, a native of Marche from the city of Macerata, was a Jesuit priest who introduced to China the first elements of Euclidian geometry (which he translated into Chinese), geography and astronomy. He was the first European to be buried in China. Ricci's importance has been recognized by the U.S. magazine *Life*, which placed him among the 100 most important people of the second millennium. Today, the effigies of Marco Polo and Matteo Ricci decorate the interior of the Millennium Center in Beijing, the seat of the Chinese government.

The narrative style of *La Cina Vicina* (which will be shot in high definition) will examine the past and present stories through various locations in Italy and in the Orient, with the voices of contemporary experts from China and Italy.

According to a representative from RaiWorld, "With this film, China is opening a window on the histories of companies and people who, through many difficulties, developed successful activities in China by actualizing the teachings of Matteo Ricci."

La Cina Vicina also offers the opportunity to rediscover an important piece of Italian history during a crucial period that influenced the development of the world. Matteo Ricci began his long missionary journey (from which he never returned) at the founding of his order in Rome toward the end of 1500.

Ricci was able to overcome the diffidence of the suspicious Mandarins right at the height of the Chinese empire's isolationist period and, in less than 20 years he became, "The wise man from the West" with the Chinese name of Li Madou.

During his journey, Ricci not only taught and translated scientific texts from the West, but he translated from Mandarin the works of main Chinese thinkers, including Confucius.

U.S. Reality TV Filming On The Rise

According to figures reported by FilmL.A., which handles local film permits in Los Angeles, reality TV productions have been on the rise this summer. FilmL.A.'s statistics indicate that approximately 50 new reality TV shows have requested permits to film on local streets or non-certified soundstages through early July. This is in spite of the fact that such productions were down 13 percent in the second quarter compared to the year before.

This recent increase in production is a testament to the genre's popularity in the U.S. It also serves as a reminder that reality TV fuels local TV production in Los Angeles, since far fewer dramas are shot locally, with cities outside of California acting as competing locations for filming hour-long dramas. Because scripted programming is more economically beneficial, FilmL.A. spokesperson Philip Sokoloski noted that he hoped to see more scripted programming filmed locally.

Among the titles fueling the reality TV production fire are *Punk Payback*, dedicated to helping viewers avoid being "punked" on the street (Fuel TV); *Dance Moms*, about a dance company instructor and her students (Lifetime); *Shahs of Sunset*, centered on a group of young Persian American friends living in L.A. (Bravo); *Dirty Soap*, giving light to the personal lives of soap opera stars (E! Entertainment) and *Barbies Reality*, following the events that take place at a party rental hall (not yet sold at press time).

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World

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Re, Italian TV Pioneer, Dies

At one point, in 1984, Giuliano Re controlled Italy's fourth largest TV network, EuroTV.

But his biggest accomplishment was in the late '70s when he introduced Italy to both TV syndication and TV barter.

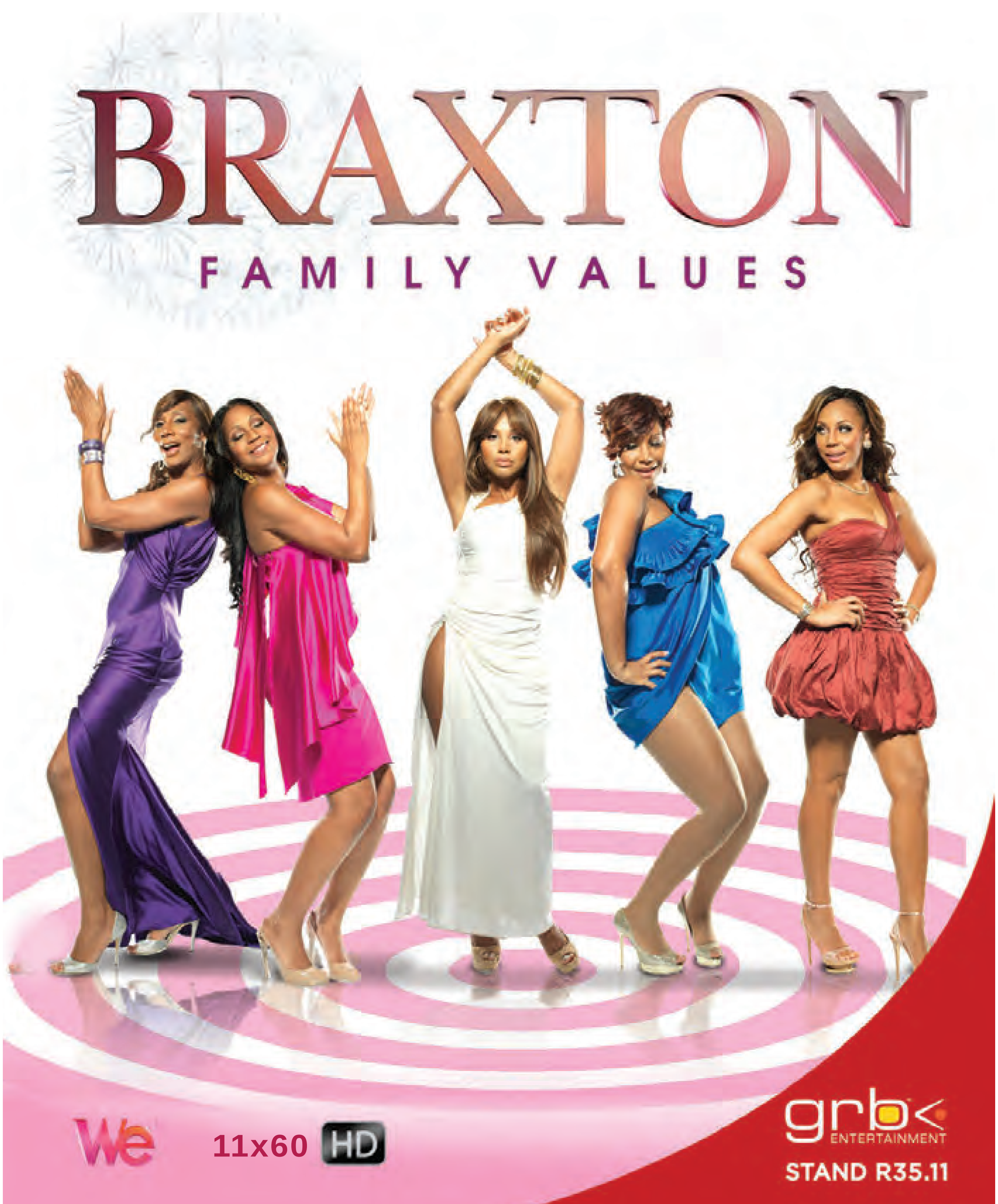
Giuliano Re died on July 27 at the age of 85 at his home in Rapallo, in the Liguria Region.

Re's career in advertising included running the Sales department of *Corriere della Sera*, Italy's largest daily, and *Il Sole 24 Ore*, now Europe's largest financial daily.

He entered the television business in 1979, bartering and syndicating programs acquired mostly from the U.S. At that time the television ad revenues for the Italian private sector were the equivalent of U.S.$40 million. By 1984, when he created Euro TV by merging two ad reps, the figure reached $600 million. This was despite the fact that television in Italy did not yet have a regulatory framework and the laws applied were those pertaining to the criminal and civil codes. *VideoAge* featured a profile of Re in its October 1984 Issue.

After departing the media sector in 1999, Re left Milan and retired to Liguria. He's survived by his only child, Patrizia.

Giuliano Re



CBC Gets DTV Switch Delay

Last August 31, Canadian TV stations switched to digital transmission. The next day, September 1, about eight percent of the population, which doesn't subscribe to cable, telco or satellite services, either bought an analog-to-digital converter or saw a mostly blank screen when they turned on their TVs.

The digital transition affected 30 major TV markets in Canada, including cities with populations of over 300,000 residents. CBC, the country's public broadcaster, has earmarked C$60 million for 27 digital transmitters —14 English and 13 French — but it has yet to solve some transmission and retransmission problems. So, the CRTC, Canada's telecommunications authority, has granted the CBC an extra year to complete its digital transition, allowing the broadcaster to keep its analog signal running in 22 markets until 2012.

Naturally, the DTV switchover has not been easy for the commercial sector either, with millions invested just to serve a small portion of viewers that are not subscribing to other digital services, such as cable TV.

Canadian TV stations are not required to use their sub-channels. They can broadcast in either HD or in SD.

10 Shows Not-To-Be-Missed On U.K. TV

The daily newspaper *The Telegraph* has suggested that its U.K. readers not miss 10 TV shows in the new season. Only one is a U.S. import, and there is one remake for American TV.

These shows made the list: The second season of *Downton Abbey*, ITV-1; *Frozen Planet*, BBC-1; *PanAm*, BBC-2; *The Killing*, BBC-4; *Life's Too Short*, BBC-2; *The Comic Strip Presents… The Hunt for Tony Blair*, Ch.4; *The Jury*, ITV-1; *The Body Farm*, BBC-1; *The Choir: Soldiers' Wives*, BBC-2 and *Young James*, BBC-1.

Famous quotes

"The overseas magazine subscription price [for RTS' house organ, the monthly *Television*] is £135 [U.S.$223] annually, which is £32 more than the [RTS] membership fee."

A note from the U.K.-based *Royal Television Society.*

VideoAge calculated that the RTS publication costs subscribers 57¢ per page, versus 20¢ for *VideoAge*'s overseas paying subscribers.

The Dark Side Of Late-Night Shows

By Sara Alessi

It's fairly safe to say that nothing in the last decade quite rocked the U.S. television world like the NBC late-night debacle of 2009, when the network tried to juggle Jay Leno and Conan O'Brien as hosts of late-night talk shows and dropped the ball with O'Brien.

Late-night TV shows require little more than a set with a desk and some chairs, plus an in-house band, so they cost considerably less than other TV programs. Thus, late-nighters are soft on networks' pockets, but at the same time generate hard cash — making ratings-winning hosts invaluable.

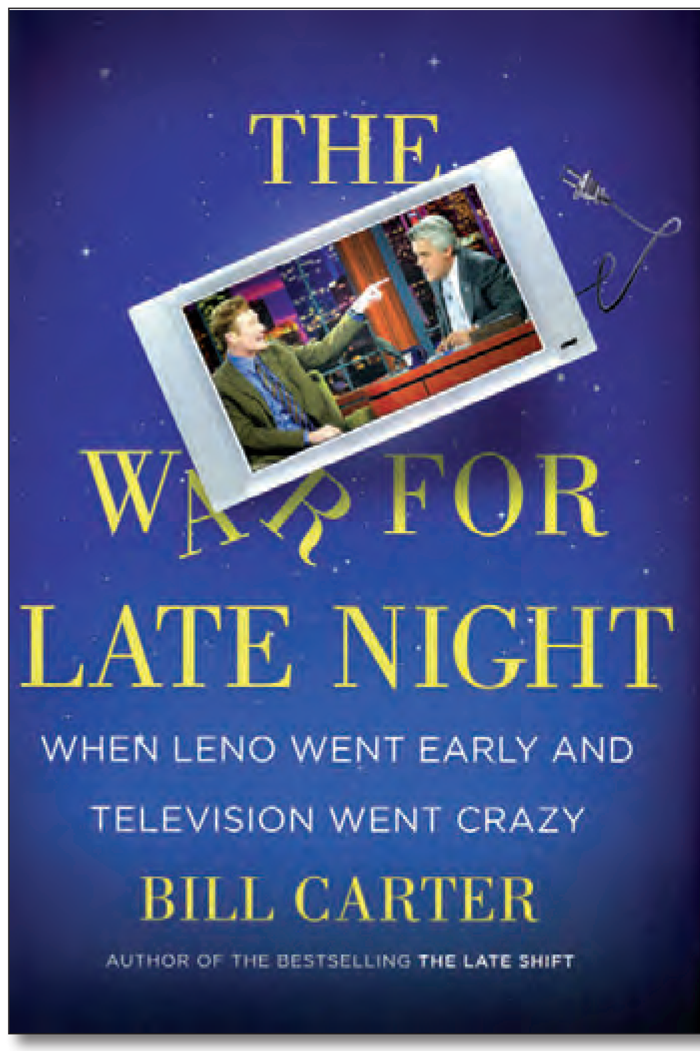
The New York Times TV reporter Bill Carter explores *The War For Late Night: When Leno Went Early and Television Went Crazy* in his new book from Viking (405 pages, $26.95). Carter relied on his own firsthand reporting and interviews from sources such as *Rolling Stone* magazine to tell the story of NBC's late-night blunder.

Carter does a fairly solid job of objectively presenting the facts and opinions he gathered in interviews with the key players. He introduces the information in an organized, pointed fashion — beginning with background on O'Brien and Leno that is relevant to their actions during the late-night war — that demonstrates the care he took in stepping back to absorb and properly convey the information he gleaned.

For instance, to understand why O'Brien agreed to wait five years for a shot at *The Tonight Show* (which Leno agreed to turn over to him), and why he later walked away from a delayed 12:05 a.m. start time, it's essential for readers to know how important *Tonight* was to O'Brien.

It's also important that readers know about Leno's obsession with ratings and his disinclination to take a vacation (he and his wife, Mavis, rarely vacation together, and Mavis often takes trips while Leno books his act in Las Vegas clubs or remains at home tending to his car collection), in order to understand why Leno took NBC's 10 p.m. offer to create a new program, *The Jay Leno Show*, and later switched back to *The Tonight Show* at its traditional 11:35 timeslot.

The book opens with an account



of the NBC 2009 New York City Upfronts, where NBC put on its biggest comedy show with its biggest talent to sell Jay Leno at 10 p.m. Carter hurtles readers headfirst into the drama that was unfolding in the world of NBC's late-night comedy, hooking the readers and inviting them to learn what led NBC into the predicament in which it found itself at the Upfronts.

Readers are taken back to 2004, when then NBC CEO Jeff Zucker devised a plan to "Keep the consistently winning Jay as long as possible while also preventing Conan from taking his increasingly impressive talent elsewhere." According to the plan, Leno would leave *The Tonight Show* in five years, clearing the way for O'Brien to step in as host. This plan seemed genius to Zucker until it became a real possibility that Leno might find a new home at NBC's competitor, ABC network. To avoid losing Leno, NBC offered him another comedy show during NBC's 10 p.m. timeslot, which he accepted.

However, when NBC's affiliate stations began barking about Leno's horrible 10 p.m. ratings, and O'Brien's overall viewership consistently sank below David Letterman's late show ratings on CBS, NBC had to act quickly. Leno's enthusiasm for returning to 11:35 p.m. contrasted starkly with O'Brien's devastation at NBC's plan to move him and *The Tonight Show* back a half hour to 12:05 a.m. Ultimately, O'Brien left NBC for cable network TBS, while Leno returned to his previous post on *The Tonight Show* at 11:35.

Despite his best efforts to present solely the facts, as with any writing, Carter's bias at times seeps through, particularly in the diction he uses to describe O'Brien, whom he seems to support. Therefore, it's important that readers bear this in mind and freely question whether O'Brien was always as gracious as Carter suggests.

When Carter tells us that O'Brien once stated, "I wouldn't want to do anything with NBC that I wouldn't be able to tell Jay I was doing," Carter assures the readers that O'Brien "was being entirely sincere." By using the word "sincere" and speaking of O'Brien's good intentions, the author paints O'Brien as a "good guy" in the readers' minds. Most telling is the way Carter describes O'Brien's approach to leaving *The Tonight Show*. The author states that on the last episode, "consistent with his approach throughout, [O'Brien] took the high…road" and thanked NBC for making his career possible, while also acknowledging Jay Leno. The readers sense that Leno, in opting not to mention O'Brien when he returned to *Tonight*, did not "take the high road" in Carter's eyes, falling short of the praise Carter reserves for O'Brien.

In describing Leno, Carter at least tries to be impartial, offering two viewpoints: The way both Leno's supporters and detractors interpreted his actions, allowing readers to decide which side they are on.

Throughout the book, Carter makes the readers empathize with these late-night giants. He recreates volatile phone conversations between one of O'Brien's agents, Rick Rosen, and NBC's Zucker, depicting Rosen's disbelief so well that the readers are just as shocked and upset as Rosen was when he heard Zucker shouting at him and demanding that O'Brien make a decision about the time shift immediately.

After O'Brien left *Tonight* and began to accept the reality of his situation, the readers feel his devastation. Carter uses emotional language, writing that O'Brien "still felt shattered to his last bone." And we also feel bad for Leno when ABC's *Jimmy Kimmel Live!* host Jimmy Kimmel (whom Leno tried to become chummy with while considering a move to ABC) turns the tables on him during an interview on *The Jay Leno Show*. Leno had invited Kimmel onto the show thinking they were allies, but as Kimmel takes his funny but hurtful jabs at Leno — "'Oh, this is a trick, right? Where you get me to host *The Tonight Show* and then take it back from me?'" — Carter describes the unsuspecting Leno's reaction: Leno was "trying to laugh along agreeably" and "smiling as best he could…he just let Kimmel pummel him without really throwing a punch in return."

Carter's piece is valuable to understanding the dynamics and politics of U.S. television and the interactions between executives and stars, and will spark the interest of television fans and professionals alike. He tackles a controversial, sensitive and very public issue with care and taste.

Putting the war for late night in perspective while respecting the viewpoints of the many figures involved from the Leno and O'Brien camps couldn't have been easy, but Carter offers a thorough examination of just what happened when NBC's late-night television was turned on its head.

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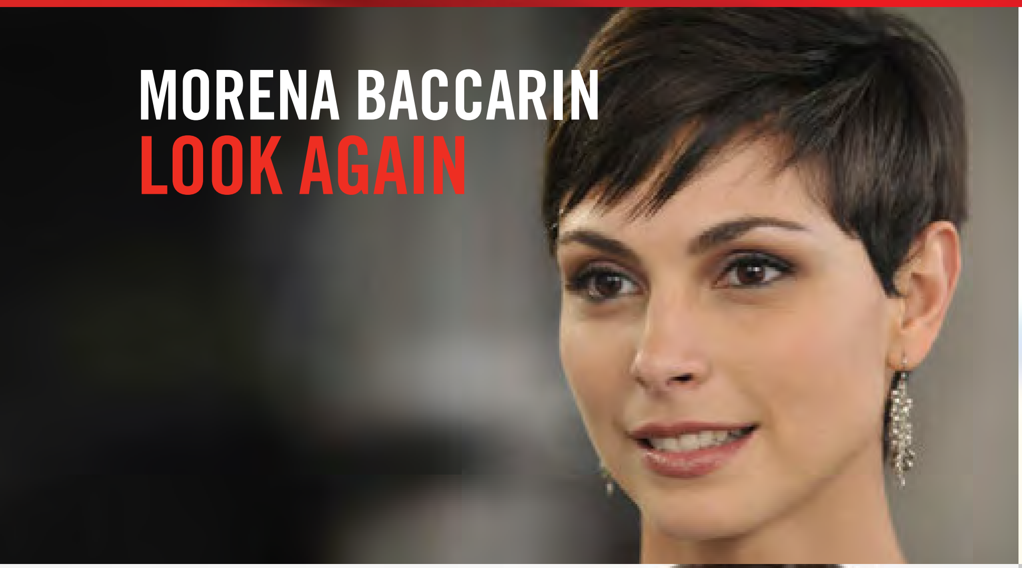

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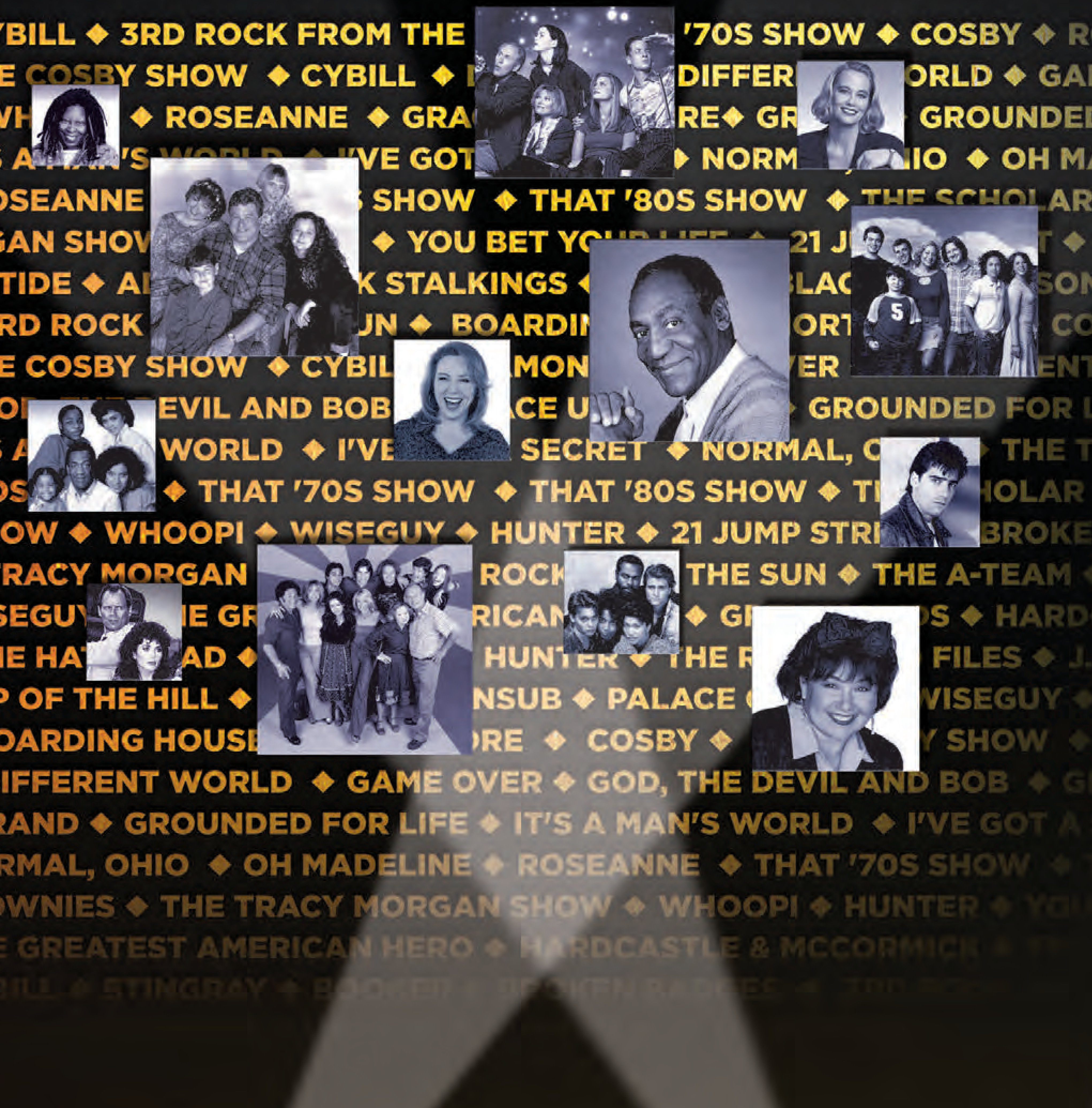

Changes, Turkish Power, Studios' Screenings

So many things happened at this past DISCOP in Budapest that one hardly knows where to start. To begin with, there was the overwhelming dominance of Turkish TV distribution companies, not in terms of number but in terms of programming sales (see related story starting on pg. 34).

The U.S. studios had a strong presence, which caused some rumbles among the indies when they found out that buyers were bussed off to screen studio product outside the Sofitel Hotel, DISCOP's market site.

Prices for Latin telenovelas and European dramas, especially for Eastern Europe (and the Baltic states in particular) have dropped dramatically.

Finally, NATPE and Basic Lead, the two companies that jointly organize DISCOP East in Budapest, announced that, starting next year, DISCOP East will become NATPE-Budapest under the exclusive control of Los Angeles-based NATPE.

This was the market in a nutshell, but there was even more — like a press breakfast announcement about the creation of new localized licensing trade shows; a press lunch warning from the Association of Commercial Television in Europe (ACT) about "Rights, New Media & Football;" and a cocktail by Japan's NHK Enterprises (NEP) to announce its network's new shows. In addition, there was the widely popular party organized by HBO Budapest, which announced its HBO Go service at the event's closing bash on its traditional boat floating on the Danube River.

The theme of this year's HBO party at DISCOP was absinthe

The fact that this DISCOP East was different could be gauged on opening day by the news conference where DISCOP founder Patrick Jucaud and NATPE CEO Rick Feldman announced that DISCOP East will become NATPE-Budapest in 2012.

Basically, as *VideoAge* reported in late June, after six years of co-habitation, NATPE has taken majority ownership of DISCOP East. The DISCOP brand will continue to exist for Jucaud's other TV trade shows, like DISCOP Africa and DISCOP Istanbul. For these DISCOP trade markets (including the Remakes Market and the Montreux Comedy Market), NATPE will continue to have minority ownership, while Jucaud will retain majority ownership.

NATPE-Budapest will thus become NATPE's second annual market after its traditional U.S.-based trade show, once again to be held in Miami, Florida, next January.

Feldman said that he's not planning to make drastic changes, however all options are open. Next year the Budapest market will take place a week later than usual. In addition, the Sofitel Hotel is not to be taken for granted, as a possible move from Budapest is in the works (although not for next year). Negotiations with the Sofitel are taking place now and the outcome will determine future plans. Finally, all organizational operations for NATPE-Budapest will be moving from Basic Lead's Paris office to Los Angeles, under the guidance of Jucaud's people.

On day two of the three-day event that ended on June 23, former U.S. studio marketing executive Vincent Alati, currently with Basic Lead, announced the creation of "Signature," a series of local licensing trade shows "for qualified buyers," that will start with a Warsaw, Poland event on January 18, 2012. Other venues include Istanbul, Moscow, São Paulo and Seoul. New trade shows organized under the company name Patent International (a 50-50 company by Basic Lead and Alati), include a B2C market, a product placement event and an African Sports Rights Market.

Starz's Kristen Stanisz, Gene George, Cynthia Burnett

Record TV's Delmar Andrade from Brazil

But the talk of the market was the reduced license fee that buyers were offering to independent companies. Latin American distributors, as well as Italian and French exhibitors were beside themselves. For example, Russia, which up until recently was paying $3,000 an hour for a drama series, is now offering $1,000. Baltic countries that were looking to pay $100 per episode for Latin telenovelas were willing to pay $1,500 an hour for a Turkish series. Indeed, Turkish companies made out like bandits at this DISCOP, with buyers even engaging in a bidding war for Turkey's Global Agency's new series *Magnificent*. All of Turkey's six major distributors were in attendance, including ITV, Calinos and TRT, in addition to the aforementioned Global.

However, the changing nature of DISCOP was something that distributors, especially Latin American companies, were well aware of. Indeed, only a handful of Latin companies sent

TVFI's president Xavier Gouyou Beauchamps and executive director Mathieu Bejot

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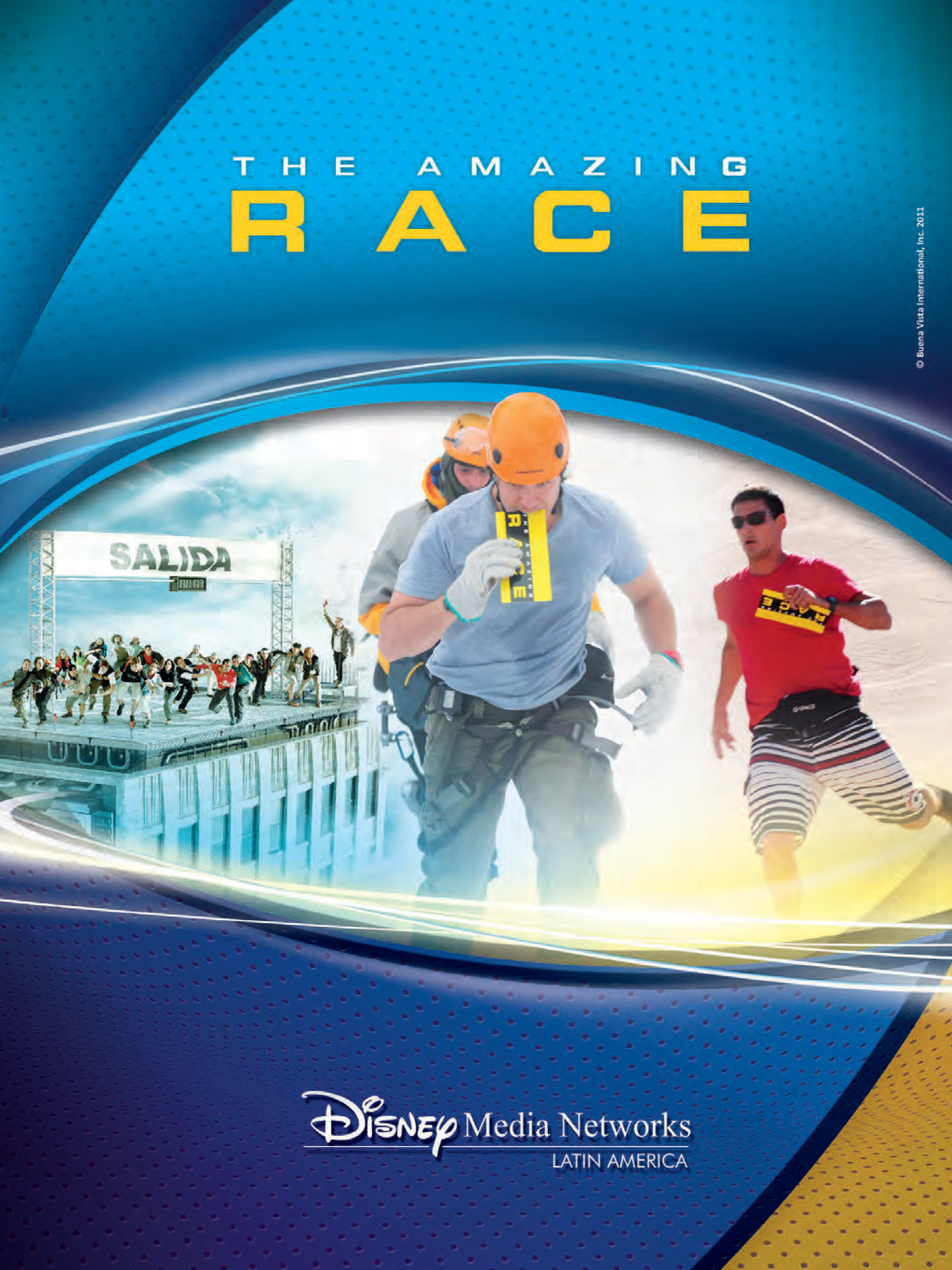
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DISCOP [Continued]

(Continued from Page 14)

Basic Lead's Patrick Jucaud (l.) and NATPE CEO Rick Feldman at the press conference announcing that DISCOP East will become NATPE-Budapest

Crowd at the opening party

Feldman said that he's not planning to make drastic changes, however all options are open. Next year the Budapest market will take place a week later than usual. In addition, the Sofitel Hotel is not to be taken for granted.

top-level sales executives, and some even reduced their advertising presence. It is hoped that, with NATPE now taking over, the trade show will further expand from its traditional Central and Eastern European (CEE) base.

It has been pointed out that the CEE TV market is now mature: Stations are making money and, at the L.A. Screenings, are willing to pay studio prices. For those buyers who didn't attend the Screenings in Los Angeles, some of the U.S. studios rented theaters in Budapest, pointing out that screenings were held early in the morning, taking away buyers only for a short while, and, in the case of Warner Bros., their screenings were done before the market even started.

But the studios weren't the only ones taking the buyers off the market site. The producers of the two-episode miniseries *Titanic* organized a party at their Budapest set, which was described by one participant as a "gate crasher."

Nevertheless, those outside events caused some consternation among exhibitors. TV France International's Mathieu Bejot commented, "We were extremely unhappy about the screenings that took place this year outside of the [DISCOP] market. It is very positive that the studios wish to increase their presence at DISCOP East (now NATPE-Budapest). The more exhibitors, the stronger the market. However, taking buyers out of the venue could be fatal for the market. Why bother paying for a suite if the buyers aren't going to attend anyway? Many exhibitors are debating whether they will go back next year if the studios maintain their own screenings."

Helge Koehnen, Bavaria Media Television's Sales manager, said, "For me DISCOP was a good market, but as you can imagine I wasn't amused about the fact that the U.S. majors had their screenings during the first two market days! Several buyers told me that they had no time to meet as they were busy attending the 'Post L.A. Screenings.' Such screenings should take place the day before and/or after the market — this would be a good upside to the market — but not simultaneously."

In addition, Koehnen "was disappointed about the number and quality of buyers. DISCOP was very busy, but mostly due to the enormous amount of sellers trying to meet fewer buyers. The big channels from Russia, Ukraine, the Baltics, Poland and some of the Balkans did not attend." Nevertheless, he said, "We will most probably attend NATPE-Budapest next year, but I hope they will solve the issue with the screenings." And, in terms of business, "It was a good market for us. The meetings I had were efficient and productive with some promising new contacts."

For his part, NATPE CEO Rick Feldman said, "We understand and appreciate the issue of the majors holding screenings offsite at DISCOP in Budapest. I have already spoken with Warner Bros., Fox, NBC Universal, and CBS and I will meet with them in the fall to see how we can meet their needs without disrupting the market. The truth is that we all benefit by having the majors as a part of what will be NATPE-Budapest.

"Everyone I have contacted understands that doing something that hurts the market helps no one and that incorporating the screenings into the fabric of the NATPE-Budapest marketplace is what would be best for all. We will try for a fair, systematic approach to this for June 2012 in an attempt to enhance the value of the market for the buyers and the sellers." ●

Russ Biggam, director general of the Brussels, Belgium-based ATC, making the case for "Rights, New Media & Football"

NHK's Shigeru Aoki at the cocktail presentation of NEP's new programming


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THE
ROMANS

Results Always Come But Always At A Price

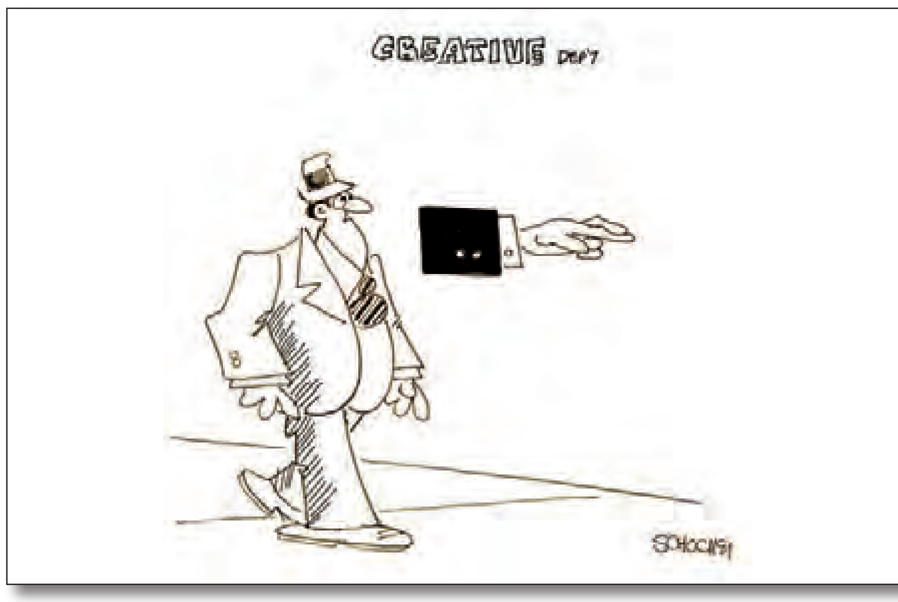
With the popularity of Lionsgate's *Mad Men*, the art of advertising is taking center stage once again. Whether it is to promote a product or (increasingly, a political) idea, to position it or simply sell it, advertising is now returning to a level of prominence not seen since the golden era of Madison Avenue in the mid-'1960s.

Advertising also played an important role in pre-war Japan and Europe, especially to promote ideologies such as Fascism and Nazism, and in post WWII Soviet Russia to promote Communism. After the war, it was used successfully in the U.S. to promote products from former enemies: Germany, Japan and Italy.

The campaign created by Helmut Krone and Julian Koening of U.S. ad agency DDB to change the perception of Volkswagen as a vehicle for the Third Reich was memorable. Three ads served the purpose: "Think Small," "Lemon" and "Will we ever kill the bug?" All three featured just a bold headline and a picture of the VW Beetle. In the latter case, the car was shown with the tires up.

Still in the '60s, Jerry Della Femina, who was known as the "Madman" of Madison Avenue, came up with a popular spoof tagline idea for Panasonic: "From those wonderful folks who gave you Pearl Harbor." That did not prevent his agency from landing an account with Japanese car manufacturer Isuzu. In 1970 he used the tagline for his book, which eventually inspired the television series *Mad Men*.

In the late 1980s, when BPME (now Promax) was at its zenith, it used to stage workshops where promo and ad directors explained how ad campaigns changed the future of TV shows. Among its successful outcomes was the campaign to make syndicated show *Magnum PI* appreciated by an elusive female audience. When changing the time slots did not work, an exasperated programming manager turned to his marketing executive, who devised a campaign depicting the show's star, Tom Selleck, shirtless while kissing a woman. The ad worked and the series turned out to be a success for the local TV station.

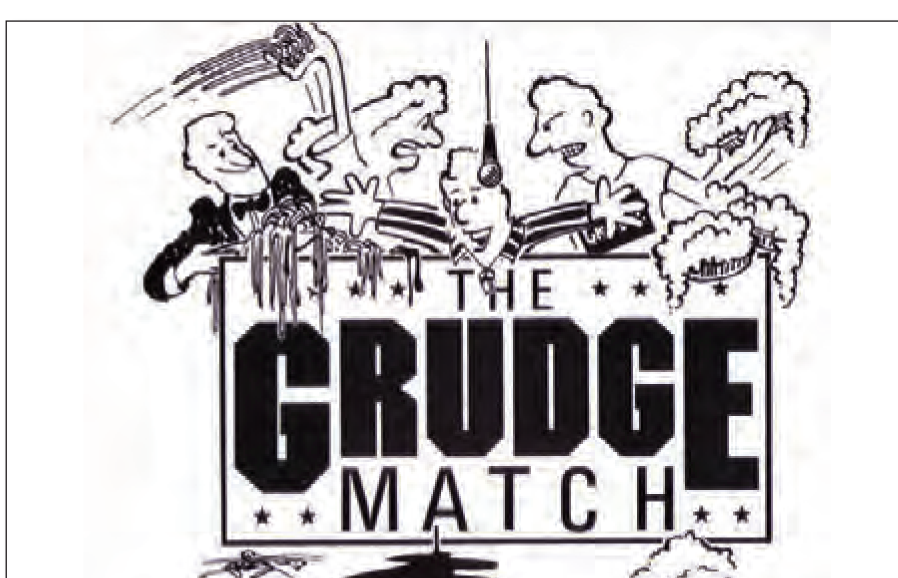


In 1992, while at Genesis Entertainment, Doug Friedman (who in 1997 became chairman of Promax) was facing the challenge of positioning for his company's international sales people a show called *Grudge Match*, a juvenile but successful U.S. syndicated half-hour show in which two contestants inside a ring fought with pillows and Silly String. This was during a period when international critics were lambasting reality TV as a cultural wasteland.

Taking into consideration that most international TV buyers were intellectuals, he chose to leverage their superiority complexes by positioning the strips as an example of the best television America had to offer, prompting acquisition execs to buy the episodes just to show viewers how bad the U.S. really was.

More recent success stories come from Italy, where Luca Federico Cadura, chairman of NBC Universal Global Networks Italia, has been involved with some popular ad campaigns for both trade and consumers. "We just made a campaign with a challenging task: Propose to media planners the target of women 40-plus, delivered by our channel Diva Universal, and we found a very appealing proposition," said Cadura.

Reported Christian Murphy, senior VP, International Programming and Marketing, A+E (formerly AETN International), "We've been publishing for the last year or so the 'So Much More' campaign. We launched it at MIPCOM last year. It talked directly about what we, as broadcaster and content provider, are doing. It was a fresh new look." He then added: "At [this] MIPCOM you'll see our new look. We have a new font and graphics package. It's fresh, it's new, it's vibrant."



But creativity can come with some risks. Recalled Cadura: "Some years ago, for Studio Universal, we were describing a special slate of movies related to food. To make it fun, the ad showed a sausage inside a film magazine box and the headline was '100% fat.' We got sued by the Italian Sausage Association, which wanted to make the point that sausages weren't that fatty."

From Canada, Lisa Wookey, VP, Marketing and Communications, at Toronto-based Entertainment One Television, related her own horror story: "In the early days of my career I was working in marketing at Viewer's Choice and thrilled to be doing our first promotion with Disney. The promotion involved a trip for two to Toronto to see the premiere of *Beauty and the Beast*. The offer was advertised through a Rogers Cable bill stuffer and had been carefully vetted through Disney and myself many times over. Everyone was happy, everything had signed off. That night, I nervously attended the print run — and have been happy I did ever since. Somehow, the copy that read: '...win two tickets to see Disney's hit musical'... had mysteriously morphed to: '...see Disney' *hit musical,'" Wookey added: "Yes, it's a true story."

Friedman, who's now director of Creative Services at TV station KUSI in San Diego, California, recounted, "The most memorable result from one of my campaigns came when I got a call from Sylvester Stallone, who was in producer Joel Silver's office and saw my *Tales from the Crypt* promo kit sitting on his coffee table. I put him on speaker so my staff could enjoy the great compliments he was paying us on the work, but to this day none of them believe it was really Stallone on the phone!"

So, are ads primarily to position a product or strictly to induce sales? "What we sell is our positioning, so the sales message must be strictly connected to a differentiating positioning," said Cadura. To Priscilla Pesci of Los Angeles-based Elumines, "Within the various studio and broadcast configurations, we were always focused on the bottom line — specific to converting advertising awareness into sales transactions, although that process inherently includes product positioning in order to generate effective ads."

Replied A+E's Murphy: "A bit of both really. We build our brand through our content. It's all really about trying to move more product. It's hard to induce sales through marketing and advertising. It's best to use those tools to create buzz. The sales process in programming takes a long time. Our job is to get them interested in or just aware of a program."

(Continued on Page 24)

Visítenos en
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Muchísimas gracias por su apoyo

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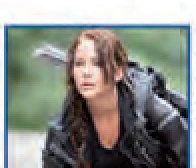

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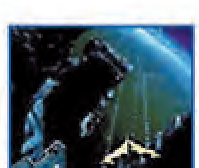

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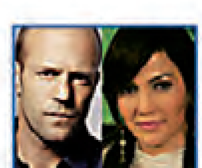

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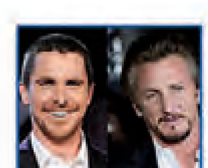

THE LAST PHOTOGRAPH

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(Continued from Page 22)

Over the years ads have changed. Explained Cadura: "We spent the first years focusing specially on branding consistency. Until awareness and positioning were fully achieved we preferred to keep very close to our institutional campaigns. Once we realized our brand was established, more flexibility and fun has been allowed."

"They've changed markedly", commented Murphy. "We're very much a company that builds brands. In years past we've had a lot more single-minded focus on our channel brand. Ads were presented through the filter of a channel. Now we're very much interested in building Networks as a brand and on content. We're focused on our catalogue and the stars we have in our programming. And that's quite a change from where we were a few years ago. Program buyers are interested in programming. I wanted to have a more single-minded focus on the content and talent in particular."

VideoAge asked Pesci what she considered her best print trade ad. "When I was marketing chief for MGM Worldwide Television Group, I always favored our L.A. Screenings ads, as these were the most compelling in terms of generating buyer enthusiasm and awareness for the fall broadcast line-up of new shows," she answered.

Has digital technology increased creativity and reduced costs? "Absolutely," said Pesci, "Digital technology improves immediacy, accessibility, trackability, and overall cost-effectiveness." "Yes," added Cadura, "[But] it has also worsened everybody's lives as changes are possible up until the last second."

What is preferred, multi-product ads or single product ads? "Single," said Universal's Cadura, "Messages should

be as simple as possible. Possibly, multi-messages for a single product." Elumines' Pesci concurred that she prefers, "Single product ads: A series of them has proven most effective."

"The challenge for me in content-style advertising," added A+E's Murphy, "is making creative choices focusing on one show and having the ad look great, or six shows and having the ad look bad. We try to maintain a really strong brand message, look and feel while promoting the depth and breadth of our content."

How can one determine the ROI of an ad? "This is very difficult in scientific terms on our scale," reported Cadura. "Phone calls from clients, press articles and word of mouth are still our way of measuring the ads." According to Murphy, "There's no hard measure of ROI," but A+E makes use of "a number of different ways: Feedback from clients, our sales team and from the trade magazine publishers. I remember two of the publications e-mailing us to say that they loved an ad campaign. I don't necessarily believe that one ad makes the sales. Content sales is a much longer, drawn out process. However, if a client walks into a meeting and mentions an ad, we consider that a successful campaign."

When it comes to competitors' ads, "I have always appreciated Warner Brothers' integrated and forward-thinking approach toward advertising," said Pesci. "I can't think of anything specific," commented Murphy, "but I always take a look and keep an eye out for what the competitors are doing. We do pick out little elements from other ads when we see a good idea and incorporate them into our own creative approach," he said. "Thinking of specific trade ads, Turner does a very good job in Italy with their kids channels Boing and CN," concluded Cadura.


THE
PROPOSAL
© Disney 2011
Disney Media Networks
LATIN AMERICA

Trish Kinane is acting president, Worldwide Entertainment of FremantleMedia, filling Rob Clark's role while he's on sabbatical.

Rubles, Rupee And Real. Money Rumbles In Cannes

International television trade show preview stories have acquired a style of their own with reports about market figures, planned activities, new product, expected business and potential issues. MIPCOM 2011, its 27th iteration, won't be very different from those before it. Already MIPCOM's Laurine Garaude reported that the organizers, Paris-based Reed-Midem, project a total of 12,400 participants, including 4,200 buyers and 1,700 exhibitors from 100 countries. This is just slightly up from 2010's 1,700 exhibitors and 4,000 buyers.

A larger number of buyers are expected from Russia, India and Latin America: Three buoyant territories that, along with China and Brazil, make up the so-called BRIC nations.

But good activity is also expected from the PIIGS nations (Portugal, Ireland, Italy, Greece and Spain): A combination of the low euro-dollar exchange rate and the poor economy of those countries makes acquisition a better alternative to local production.

However, there are rumbles of problems, especially from Greece, as explained by John M. Triantafyllis of Athens-based JT TV Film International: "The stations that will attend MIPCOM will do so for the sake of being kept updated on what new [product] is available, regardless if it comes from the majors or independents. The general trend is that all acquisitions have generally been put on hold until a clearer picture will be available of the television market. It is safe to say that there will definitely be a decline of attendance from buyers from both Greece and Cyprus."

But, lost Greek sales could be replaced by those from Japan, where, even in the midst of a recession, the yen is strengthening against the U.S. dollar.

This year MIPCOM's theme is "Focus on Russia." As of last year, Russia had 330 television channels, including 20 free-to-air networks, bringing in revenue equivalent of $4.3 billion in advertising. So it made sense for organizers to turn the spotlight on the country's TV landscape with a number of Russia-centric events. Seminars include an overview of the Russian television industry, a co-production and matchmaking event to link producers with financers, a number of production case studies examining specific series and more.

A similarly fortunate choice was the selection of Anne Sweeney, co-chair of Disney Media Networks and president of Disney-ABC Television Group, to receive the MIPCOM 2011 Personality of the Year Award. Sweeney will also deliver a keynote speech on October 5, day three of the four-day market.

With the Russian theme aside, MIPCOM 2011 boasts 45 sessions and keynotes addressing a variety of topics. Unsurprisingly, many of the conference topics are geared toward the affects of technology and social networking on the TV biz. To name a couple of note, on Tuesday (day two) there is "Tales From the Cloud: Here Comes Ultraviolet," which will tackle "the cloud" as a content storage phenomenon, and "Redefining Real-Time Engagement: What's Next in Social TV." Overall however, the most prevalent seminar topic seems to be financing, with a handful of panels addressing how and where to find funding.

When it comes to the main event, the Media Mastermind series of speeches takes center stage on the agenda with three Media Mastermind keynotes: Miramax CEO Mike Lang and Robert M. Bakish, president and CEO of Viacom International Media Networks will kick things off on the first day with one speech each.

But with many worldwide regions in full-on rebound mode, it's likely that some executives will be too busy to attend conference sessions. A+E Networks' Ian Jones, expects a very busy market. "We're doubling our booth size," he said, elaborating that A+E has a lot of changes to debut at MIPCOM, not the least of which is a newly minted slogan and the company's rebranding from AETN International to A+E. Added Jones, "Since we acquired Lifetime as a network, we've been increasing our programming and taking up an involvement in the international market."

In addition to A+E's rebranding, it will be using the market to highlight some 650 hours of new programming, including around 11 TV movies, reality series *Russian Dolls* and a big event project investigating the sinking of the Titanic, just in time for the disaster's 100th anniversary.

Meanwhile, Los Angeles-based Rive Gauche will be maximizing its face-to-face time with clients at the market. Said president David Auerbach, "Our goal is not just to sell our product, but to really listen to our customers and understand their needs."

Starz Media's Gene George emphasized that the company's goal for the market is, "building the credibility of Starz as a supplier of premium content. We came out of the gate about 18 months ago when we launched *Spartacus* and we've continued to have a good flow since then." He was confident that Starz will have "a steady flow of content for the long term."

Starz is taking a global approach this year, as he stated that the company is "dealing in all of the key territories."

Looking toward 2012, George noted that the company's TV movie business is fairly stable. Therefore, Starz is "focused on continuing to flow the series side of the business." To that end, Starz is excited about its new series *Magic City*, which the company expects will follow in the successful footsteps of *Spartacus*. George informed *VideoAge* that Starz would be "showing some never-before-seen footage [from *Magic City*] at MIPCOM." The company will also have an extended promo on the second season of *Spartacus*, titled *Spartacus: Vengeance*, and animated series *Dan Vs.*, which is in its second season as well.

Trish Kinane, acting president, Worldwide Entertainment of FremantleMedia, predicted a buoyant market. "MIP-TV proved that broadcasters are buying again," she said, adding, "with the range of quality programming that we are bringing to MIPCOM, we're sure that we'll continue to see very strong demand." Kinane and company are bringing a broad slate of proven hits and brand-new original formats in different genres, including titles such as *Got Talent, The X Factor* and *Idol*. "I am confident that this will be a very successful market for us," she noted. Where trends are concerned, Kinane pointed to primetime entertainment shows as well as game shows.

Marcel Vinay Jr., CEO of Mexico-based Comarex, explained his plans for the market: "It gives us the opportunity to meet face-to-face with clients from Europe, Asia and Africa. After a very successful year with our telenovelas, such as *Cielo Rojo* and *Emperatriz*, MIPCOM gives us the chance to present them to our clients and international buyers."

Like many distribution companies, Comarex will be taking a global approach, rather than targeting specific territories. Said Vinay, "Each and every territory is important to us, but at MIPCOM it is very important for us to get together with our clients from Europe, Asia, Africa and Latin America."

For those looking for a respite from buying and selling, a number of screenings will also be on offer. The now-traditional World Premiere TV Screening (which began two years ago) will take place on Monday and will feature ABC Studios' action series *Missing*, which centers on a former CIA agent determined to track down her son. The screening will be followed by a question-and-answer segment with stars Ashley Judd, Cliff Curtis and Adriano Giannini, as well as members of the production team.

After last year's success, the Asian Content Exchange will also return to the Palais. Asia will be well-represented at the market with some 1,200 Asian participants and 451 Asian buyers occupying 53 stands. The biggest delegations are expected from Japan, Korea, China, India, and Singapore. A number of events on Wednesday will cater to the Asian crowd, and those looking to partner with them, such as the Networking Breakfast, the West Meets East Buyer Panel and the Asian Content Exchange Lunch Party. Also, in light of one of Asia's fastest growing sectors, a dedicated session will introduce producers and distributors to animation financers.

There will, of course, also be numerous parties. Monday promises a Russia-themed opening night bash and day three is the MIPCOM Personality of the Year Dinner at the Carlton Hotel. Not to mention all the customary private soirees hosted by companies at convention booths, hotels and yachts.

MIPCOM events will kick off even before the official start day with kids mini-market MIPJunior taking place October 1-2 at the Martinez Hotel, a short walk from the Palais. Organizers expect 600 companies, including 500 buyers from 35 countries to participate in the screenings. Plus, with the Kids' Jury Awards, the 8th annual Licensing Challenge, the world's largest library of youth and children's programming and a number of seminars and sessions for buyers and sellers, MIPJunior 2011 promises to be a lot more than child's play. ●

Retro Trend Is Forward Thinking For U.S. TV

A Gifted Man *from CBS Studios for CBS*

By Kiersten Morsanutto

Will bad be good for the U.S. TV networks? This is what the *Los Angeles Times* wondered in a recent article titled, "Longing For a Time When Bad Was Good." According to the newspaper, "the future of television lies squarely in the past." Well, this is nothing new to *VideoAge* readers who, last January, were warned, "the future [of television] is retro."

This trend is also migrating into fashion, where designers have incorporated the 1960s into their fall 2011 collections. Jean Paul Gaultier, Prada, Alberta Ferretti and Burberry, for example, have shown off some seriously retro designs in clothing and outerwear.

For the new season, the U.S. TV networks are offering 1960s-based dramas *The Playboy Club* (Fox for NBC) and *Pan Am* (Sony Pictures for ABC). There's also the modern remake of iconic 1976 series *Charlie's Angels* (Sony Pictures for ABC), set to hit the small screen in the fall.

Perhaps it's all a result of the incredible success of *Mad Men* since both sleek, sexy series *The Playboy Club* and *Pan Am* "feel like a *Mad Men* spinoff," according to the *Times*.

The retro trend also extends to returning series, like the remake of *Hawaii Five-O* (on CBS), which originally ran from 1968-1980, and to the midseason J.J. Abrams-created drama *Alcatraz* (Warner Bros. for FOX midseason), whose plot takes viewers back to the '60s. To a certain extent, the roots of NBC's musical drama, *Smash* by NBC Universal can be traced back to 1982 series *Fame* (or, at least, *Glee*).

This new TV season has plenty of other trends, too. In addition to retro series and remakes, we have: Foreign TV adaptations, such as *Prime Suspect* (ITV Global for NBC), based on a 1992 British miniseries, and *Free Agents* (NBC Universal for NBC) based on a 2007 British series. There are also movie adaptations, like *The Firm* (eOne for NBC), based on a 1993 movie of the same name and *Napoleon Dynamite* (Fox for FOX midseason), a cartoon comedy based on a 2004 live action movie. And there are spin-offs, such as *Major Crimes* (Warner Bros. for TNT), a spin-off of *The Closer*, and *The Finder* (Fox for FOX midseason), a spin-off of *Bones*.

Let's not forget that, this season, a great number of well-known movie stars —including Christina Ricci in *Pan Am*, Kiefer Sutherland in *Touch* (Fox for FOX midseason) and Andie MacDowell in *Jane By Design* (Disney for ABC Family) — will migrate from the silver screen to the "tube."

Finally, the ever-popular cop and hospital shows have been outnumbered by supernatural series, with a record total of 10. One of the most buzzed-about of those is *Terra Nova* (Fox for FOX), a Steven Spielberg-produced series about a family embarking on an epic adventure back to the prehistoric age.

And there are plenty more shows garnering attention from critics and regular TV fans alike. There's thriller *Ringer* (CBS for CW), which marks the return of *Buffy* star Sarah Michelle Gellar, and has the makings of a cult following.

In terms of the most buzzed-about comedies, there's the small screen return of Tim Allen (formerly of *Home Improvement*) on *Last Man Standing* (Fox for ABC), an edgy NYC-based sitcom from Michael Patrick King (of *Sex and the City* fame) called *2 Broke Girls* (Warner Bros. for CBS), *Suburgatory* (Warner Bros. for ABC), starring Cheryl Hines and Jeremy Sisto, and *Up All Night* (NBC Universal for NBC), starring Will Arnett, Christina Applegate and Maya Rudolph.

In the world of non-scripted programming, nothing is quite drawing as much attention as *The X Factor* (FME for Fox). The Simon Cowell-produced talent show is a phenomenon in the U.K., and has gotten a lot of celebrity weekly attention thanks to the "is she or isn't she judging?" drama of U.K. judge Cheryl Cole (turns out, she isn't). The confirmed judges are Paula Abdul, producer L.A. Ried and Pussycat Doll Nicole Scherzinger. With Simon Cowell's Midas touch, could it be anything but a hit?

But you don't have to just take our word for it. *TV Guide*'s Adam Bryant, a member of the Television Critics Association, had this to say about the series: "For better or worse, people like Simon Cowell. They kind of like the guy who is a little mean — speaking his mind, being honest. I think people will want to see the show that he's been talking about for so long and see if it will live up to *Idol*," he said. Bryant predicted that *The X Factor* will dominate the schedule and return for multiple seasons.

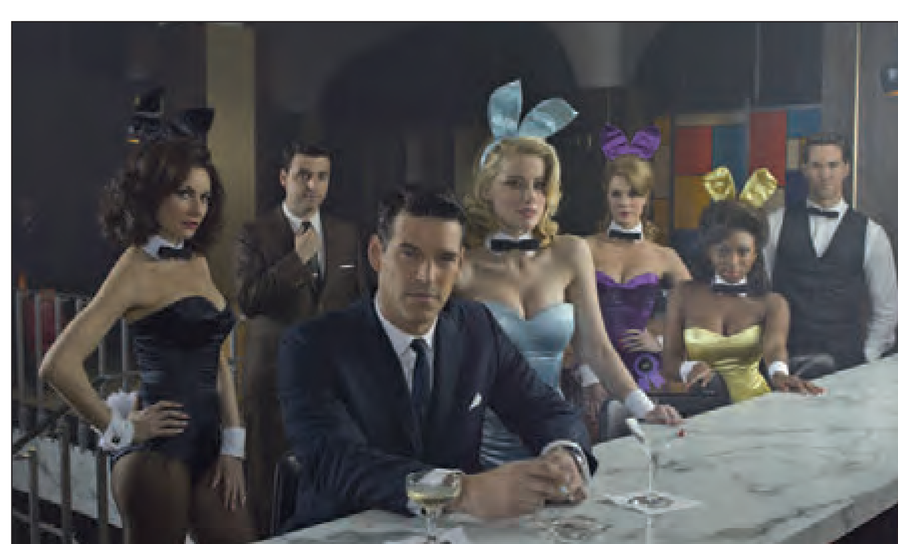
Bryant pointed to CW drama *Ringer* as a series with "a very interesting premise; it's a big show that the CW will harness this year with their schedule."

In the sci-fi/fantasy genre, *Terra Nova* with Jason O'Mara, *Once Upon a Time* (Disney for ABC) and *Grimm* (NBC Universal for NBC) are also making waves. Fairy tale dramas such as *Once Upon a Time* and *Grimm* are a popular trend because, "People are looking for an escape," said Bryant. "The economy is in a bad place. People are … really turning to TV as a means to get away from their daily world," he said.

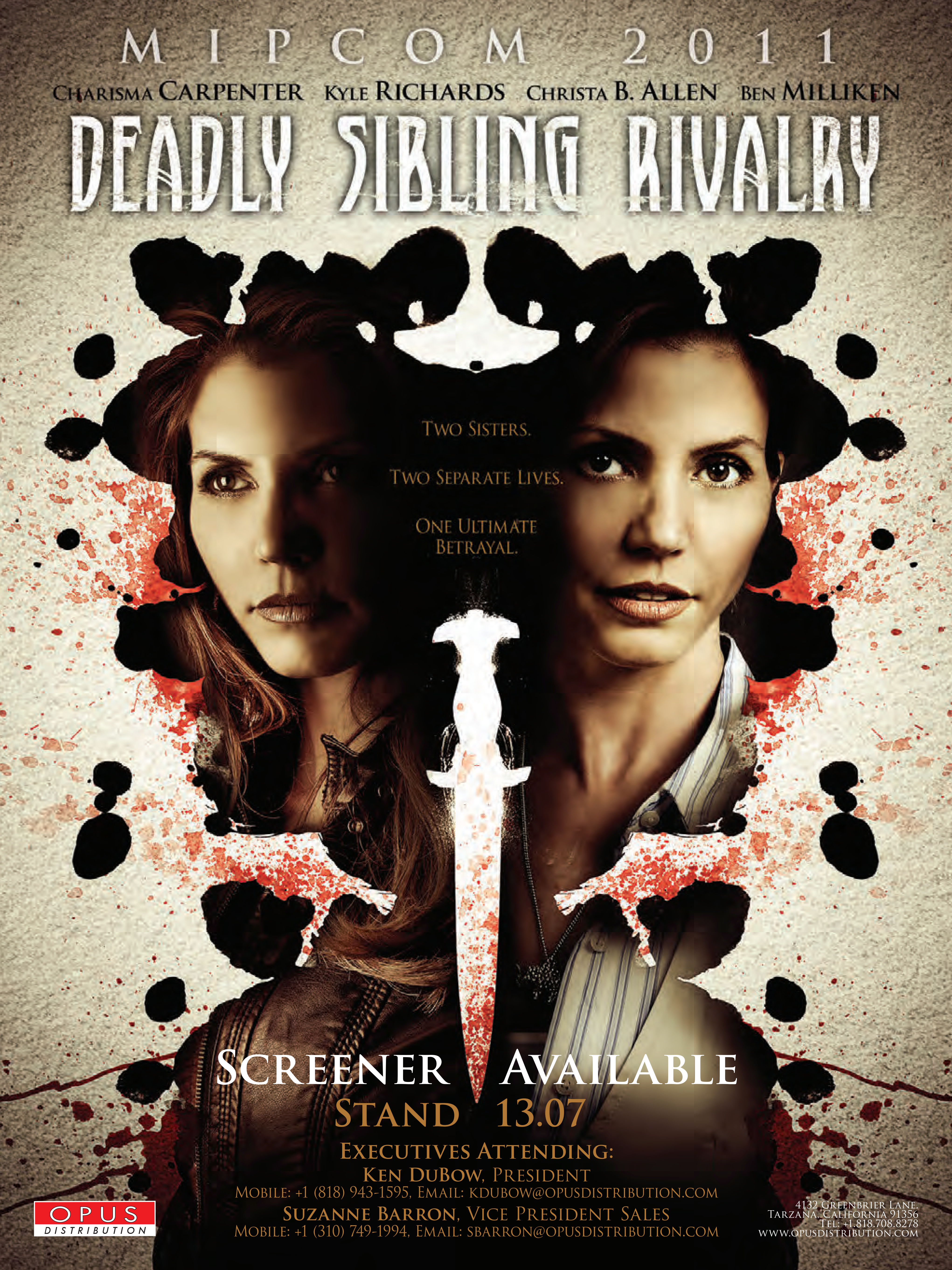
Bryant thinks the success of all of the fall shows will depend on the audience and the networks' branding. "Like it or not, branding is a part of what network television is. So, the networks that have bought shows that are on brand, yet still new and interesting enough to sort of take TV in a new direction, but still familiar enough to what they've done in the past, will be the shows that stick around."

Lucy Cohen Blatter and Sara Alessi contributed to this story.

Pan Am *from Sony Pictures for ABC*



The Playboy Club *from Fox for NBC*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MIPCOM's Vital Latin Component

Hollywood's biggest international TV sales bash is without a doubt the L.A. Screenings, where the studios show their newest promising hits, parade their most bankable stars and stage their finest parties for buyers from all over the world.

Of the more than 1,500 international acquisition executives, over 300 (or 20 percent), come from Latin America. If one includes other Latin territories, like Spain and Portugal — which the studios are starting to place under their Latin American TV divisions — the number increases to 380 buyers (25 percent), making it the largest contingent at the Screenings in Los Angeles in May.

With these kinds of references, it's no wonder that Latins in L.A. dominate the scene with their own Screenings, their own luncheons and their own parties, like the one organized by Telefilms to celebrate its 50th anniversary, and fellow indies Venevision and Telefe.

In terms of importance to Latin buyers, the L.A. Screenings are currently almost on par with NATPE — now that it takes place in Miami, Florida — even though MIPCOM is becoming increasingly important to Latin American acquisition executives, representing their third largest market.

However, in terms of participation, with about 170 companies from 10 countries, MIPCOM draws by far the largest continent from Latin America, compared to the L.A. Screenings and NATPE combined.

Telefilms' Alfredo Andreotti, Tomas Darcyl

Disney Media Network Latin America: Henri Ringel, Fabiola Bovino, Jack Morera, Fernando Barbosa, Leonardo Aranguibel, Gustavo Sorotski

While to most Latin sellers MIPCOM is a good venue to target European buyers, to some Latin distributors, like Telefilms and VIP2000, MIPCOM is crucial as a place to acquire new product for Latin American distribution. These are activities that are usually not done at the L.A. Screenings, where the focus for all distribution companies is on sales.

At MIPCOM, in addition to their new season product, the studios' Latin divisions will be offering their local productions, many of which are now in their third season, like Disney Media Network Latin America's *The Amazing Race*.

Telefilms president Tomas Darcyl said MIPCOM is particularly valuable because, as opposed to other markets, it is "a market that is focused not only on sales but on seeing products."

For Jose Escalante, director at Latin Media Corporation, "MIPCOM is important if you want your programs to be successful in Western Europe, just as NATPE and L.A. Screenings are important for the Latin American markets, or DISCOP for Africa and Eastern Europe."

At Telefe Internacional, Michelle Wasserman said that MIPCOM is the "biggest market for us, and covers worldwide clients: Europeans, Asians, Africans, Americans and Latins as well" — all territories that Telefe targets.

Caracol Television, too, is targeting Asian, Eastern European and Middle Eastern markets. Caracol Television's Lisette Osorio called MIPCOM a "great window for the audiovisual market," and noted: "We look forward [to the fact] that at MIPCOM, we can explore new markets that can lead us to make new negotiations."

According to director of International Sales at Record TV Network Delmar Andrade, MIPCOM is the "most important [TV] fair in Europe." And Cesar Diaz, vice president of Sales at Venevision International, agreed that it is a "tremendously important market"

Sony Pictures' Latin Screenings

Rede Globo's Paula Miranda and FME's Sheila Aguirre

because it allows the company to meet with clients from European, Asian and Middle Eastern territories.

Both Wasserman and Diaz pointed to the timing as one of MIPCOM's strengths. According to Diaz, "The fact that it takes place in October gives us an opportunity to highlight any new programs that have just made their debut during the past months or will premiere during the fall or before the year's end, in addition to giving preliminary announcements of what shows we may have ready for NATPE." Wasserman noted that while Telefe arrives in Cannes with "several advanced deals," they planned to complete, they also have their eyes open for new potential deals. "We usually close the biggest deals of the year at MIPCOM," due to the timing, Wasserman said.

Likewise, Telefilms' Darcyl honed in on the market's timing, as well as its significance for particular territories. MIPCOM is "a little more important for clients in Latin America than MIP-TV," he said — particularly because it's the last sales market of the year.

FremantleMedia Enterprises SVP, Sales and Development, Latin America and Hispanic USA Sheila Aguirre anticipated "a very good turnout…our schedule is already filling up fast," she said in late August. She went on to say that MIPCOM has become even more important because of an increase in Latin American participation.

Roxana Rotundo, CEO of VIP 2000 TV, offered a different perspective: "MIPCOM is the festival where I go to acquire the content I will sell at NATPE," she said. Rotundo travels to MIPCOM alone, and does not have a stand to exhibit product, in contrast with NATPE and the L.A. Screenings, where she exhibits.

Elie Wahba, vice president, Twentieth Century Fox Distribution for Latin America, is putting the spotlight on *American Horror Family* and other shows that were presented at the L.A. Screenings, but haven't been sold yet. Specifically he's targeting Latin countries "that participate in the market: Argentina, Brazil, Chile, Colombia and Mexico."

LEADING KIDS CHANNEL RATINGS IN ITALY

Avg Audience: **106,000**
Avg Share: **11.7%**
Avg Daily Reach: **1,6m (25.3%)**

Source: Auditel/AGB Nielsen data | kids 4-14 | 7am - 10pm | June 2011

Indian Animation Houses Set For Growth And Consolidation

Toonz's P. Jayakumar

Usually at MIPCOM, international TV execs are accustomed to seeing only a small delegation, around 10 or so, of Indian TV companies with stands. But, behind this modest façade orbit some 60 companies, active mostly in animation, all represented in Cannes. In turn, around 300 additional animation houses of varying sizes revolve around these companies, cumulatively giving work to a reported 12,000 animators nationwide.

It's no secret that the Indian animation biz is on the rise, bursting on the international scene to challenge the dominance of the Philippines, Taiwan, Korea and China as the go-to destination for affordable animation production. In its June/July 2011 Issue *VideoAge* reported on the increasing investments funneled to Indian animation that currently generate an estimated U.S.$700 million a year and are expected to reach the billion dollar mark by 2013.

As a sequel to *VideoAge*'s first report, we looked into India's six key animation houses, out of the main 19 companies, with the assistance of *AnimationXpress*, an online publication focusing on the business side of Indian animation. CEO Anand Gurani had a lot to say about India's meteoric rise in the animation industry. "At present," he said, "Indian animation is in a stage of consolidation and silent, solid evolution where the men are beginning to stand apart from the boys." He elaborated, "Business models are being revisited, the stronger companies are growing even stronger and more global, while innovation and very specialized focus are emerging as key factors in making the smaller ventures stand out and survive."

Gurani listed as India's top animation houses: DQ Entertainment, Prime Focus, Crest Animation, Prana, Tata Elxsi, Big Animation, Rhythm & Hues, Technicolor, Dreamworks Dedicated Unit, MPC, Accel, Greengold, Krayon Pictures, Toonz Animation India, Reliance Mediaworks, Pixion, Animagic India, Eksauraus and Indian Artists.

Kerala-based Toonz Animation is regarded by some as the country's top

Anand Gurani, CEO of AnimationXpress

animation house. It was established in 1999 by U.S.-based businessman G.A. Menon, and is supported by multibillion-dollar Geneva-based Comcraft Group. Though the Indian animation industry was jump-started by countries in the west commissioning projects, the key to Toonz's success may be that it looks beyond the outsourcing model. Within two years of its founding, Toonz higher-ups started to move away from the animation-for-hire model and into co-production. As Toonz CEO P. Jayakumar put it, "We realized that the real business was not in outsourcing but in co-producing and owning IPs. This resulted in the making of *Tenali Raman* (2002), which was India's first animated TV series, and *Hanuman* (2007), India's first animated feature film."

Said Jayakumar, "Now we are a major player in the international animation arena and have set sights on becoming a high-end feature film producer for the world-market." In the 12 years since it opened its doors, Toonz's staff of animators has grown from 65 to 400. It lists among its international clients Italy's Rainbow, the U.S.' Marvel Studios, the BBC, Cartoon Network Asia and many more. Plus, like many growing Indian animation companies, Toonz has also opened an office in Los Angeles. But perhaps most important to Jayakumar and his team are domestic projects. Toonz aims to do at least three domestic and three international projects a year, ensuring that homegrown Indian content is not neglected.

Toonz's growth has largely been facilitated by cheap skilled labor. Jayakumar pointed out, "Animators in the U.S. cost about $125 an hour whereas in India they cost $25 an hour. With low production costs and a huge pool of skilled labor, India boasts many leading animation companies responsible for generating creative and good quality content. There are lots of animation companies that have come into this field now."

One company that Jayakumar pointed to as a major competitor is Crest Communications. Like many of the top tier houses, Crest's headquarters are in Mumbai. In 2010, Crest's outsourcing facility delivered 250 30-minute episodes of television and 12 DVDs including big titles such as *Little Engine That Could, Casper, Arthur* and more. Its CGI team numbers 500, and like Toonz, it has expanded to a Burbank location to better take on Hollywood. Crest is known primarily as a pioneer of special effects.

Another top contender is Mumbai-based Tata Elxsi (see *VideoAge*'s June/July Issue for an in-depth profile). Tata Elxsi also opened a Santa Monica office, and partnered with A Squared Entertainment on high profile series *The Governator* featuring Arnold Schwarzenegger, until the project was cancelled due to Schwarzenegger's recent personal scandal. In addition to the short-lived A Squared co-production, CEO Subramaniam Ramadorai highlighted collaborations with Disney and YFR Productions.

Like Toonz's Gurani, Tata's Ramadorai and company are slowly branching out into original production. But Ramadorai's approach is conservative. "We believe that it is important for us to focus on a portfolio right from simple outsourcing to co-production and production," he said.

Tata's success has also been a result of its emphasis on training and quality control. Ramadorai sends creative staff to train at UCLA in order to keep their skills on par with global standards. Said Ramadorai, "While the cost factor is a significant attraction for considering outsourcing of animation work, we need to ensure some key aspects to scale the quality to a level of consistency expected by the international market."

Also based in Mumbai is DQ Entertainment. Founded by chairman and CEO Tapaas Chakravarti, DQ churns out material for a roster of big international names in Europe, North America and Asia, including Nickelodeon, The Disney Group, TF1, RAI, ZDF Germany, NBC Universal, Sony Pictures Entertainment and many more. DQ also boasts an impressive resume, with a slew of awards under its belt including honors from the Daytime Emmys, the Pulcinella Awards from Italy's Cartoons on the Bay and others.

DQ prizes its position on the forefront of technology. Producer and chairman Chakravarti announced that the company has several stereoscopic 3D films in the works. Projects include *The Jungle Book*, which is slated to be released in 2012 or 2013, *The Adventures of Peter Pan* set for 2013 and *The Phoenix* and *The Flying Carpet*, which will hit theaters in 2014.

Not all the heavy hitters are from Mumbai, however. Technicolor India is based out of Bangalore, and has a 1,000-animator strong staff that has worked on blockbusters such as *Kung Fu Panda* and *Penguins of Madagascar*. Technicolor's Biren Ghose noted that there is still room for his company to grow larger: "We are just about scratching the surface when it comes to sales and business development."

Plus, there's Accel Animation Studios in Chennai, which has only been around since 2006, but has already expanded to a second production facility in Thiruvananthapuram. Chairman N.R. Panicker heads a team of 250 animators specializing in 3D animation.

As for the future of the industry, it looks like there is only more growth on the horizon. *AnimationXpress*' Gurani predicted, "The future hints at a lot more international players opening their next facility in India and several Indian companies going out and engaging internationally. The world is coming to India even as Indian animation is embracing the world." **ES**

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The Int'l TV Scene Hit By Unexpected Powerhouses

Özlem Özsümbül, Kanal D and Star TV

At a recent Parliamentary meeting in Athens, Greek Prime Minister George Papandreou asked legislators, "Why can't Greece be more like Turkey?"

Earlier, in Budapest, during DISCOP, European and Latin American distributors wondered, "What's going on with those young Turks?"

While Papandreou was referring to Turkey's success in recovering from a financial crisis in 2001, the distributors at DISCOP were commenting on the surprising popularity of Turkish programming in the international market, particularly in Greece (see story on pg. 14).

Commented John M. Triantafyllis of Athens-based JT TV Film International: "During 2010 we saw the onset of several Turkish language soaps as part of the programming profile of the major privately owned television stations, which continue to show increasing popularity and will continue to be part of the programming for the upcoming season."

With 20 producers (12 of which are key, have very experienced in-house teams and work with professional freelancers) and seven major distribution companies, the small Turkish television industry now seems to be set to take over the world, territory by territory. The conquest has begun with the Middle East and Central Asian states and expansion into the Balkan Peninsula (South East Europe). It will continue with Eastern Europe and the Baltic states (North East Europe), and little by little will reach into Central Europe, before taking on the big guys in the Western areas.

The key to achieving this world programming conquest is high-quality long series of 90-minute duration that run for 60 or more episodes on Turkish television, but become 120 45-minute episodes for the international market. The Turkish TV market has already become highly competitive, with

Hidayet Karaca, Samanyolu Broadcasting Group

dramas being the dominant genre.

Izzet Ressam Pinto, managing director of Global Agency, explained that the standard per episode is 90 to 100 minutes, and usually 60 to 120 90-minute episodes are produced.

Özlem Özsümbül, head of Acquisitions and Sales at Kanal D and Star TV, specified that, "the duration of each episode is anywhere between 75 and 120 minutes. [But] for the most part, the episode duration is approximately 90 minutes." She confirmed that, "for the main TV stations, 60 is the average number of episodes, and each is aired weekly." Özsümbül then explained, "Normally in Turkey the high season starts in September and ends in June. So the total number per season is 38-39 episodes. Depending on their successes, there can be some additional midseason serials as well."

Can Okan, CEO of ITV Inter Medya, pointed out that, "The primetime series in Turkey are being broadcast once a week and the durations are usually 80 to 120 minutes per episode." Okan added, "Nowadays, daily access primetime and daytime series, which are 42 to 52 minutes long, are also becoming very popular." He also explained that, "As 80-120 minute episodes are not accepted in the international market, our company has a team that re-edits the long episodes into 42-45 minutes each for the international market."

As for the number of series in the Turkish TV market, Okan reported: "There are 80-85 series produced every year. While some of these series are unsuccessful and cancelled after eight or 10 episodes, some of them can go on for three or four seasons. Successful ones continue after a short summer break into the following season."

In an interview with *Dislink*, DISCOP's house magazine, Hidayet Karaca, president of Samanyolu Broadcasting Group, one of Turkey's largest media companies, said that there can be up to 60 drama series a week on the air in Turkey, but many fail after just a few episodes. To stress how competitive the market in Turkey has become, Karaca estimated that up to 100 drama series fail each year.

Possibly taking this into account, Pinto specified that the annual output is 20 series, and yet "only six of these are premium series." Budgets vary from U.S.$400,000 per episode for a premium series to just $150,000 for a "B-grade" series. Mostly, the production costs are borne by producers but, emphasized Pinto, "90 percent of the series are controlled by the channels nowadays. [However], some producers do not give away the rights. The channel always has a big share [of the international revenue], whether it takes on the distribution or whether the producers distribute for themselves."

ITV's Okan pointed out that, "Due to the strong competition in the Turkish TV market, the budgets increase every day. An episode of a series for primetime nowadays costs between $200,000 and

(Continued on Page 36)

Turkish TV Presence at MIPCOM

Last year, 41 Turkish companies attended MIPCOM. But of those, only 11 participated with booths. Among those 41 companies, 12 were TV channels, including: AKS TV, Dogus Media Group, ICOC-TRT, Kanalturk, Samanyolu Broadcasting Group, SinemaTV, TRT-ICOC and Turkuvaz Radyo Televizyon Haberlesme Ve Yayincilik.

International TV channels such as Bloomberg, Cartoon Network & TCM Turkey and Fox TV Turkey also had a strong presence at MIPCOM 2010.

Fewer Turkish TV channels made the trip to Cannes for MIP-TV in 2011, with only eight making an appearance.

Though more companies attended MIP-TV in 2011 than MIPCOM in 2010, the margin was small: 43 to 41. Plus, even fewer Turkish companies exhibited at MIP-TV this year — just nine.

In terms of buyers, the numbers were nearly identical, with approximately 33 at MIPCOM 2010 and some 34 at MIP-TV 2011.


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FOX INTERNATIONAL CHANNELS TURKEY

(Continued from Page 34)

Fox Turkish Expansion Is Fully Grounded Locally

Fox International Channels (FIC) Turkey currently operates 11 channels, including National Geographic (a joint venture with National Geographic Society), FoxLife, FX, Nat Geo Wild, Nat Geo Adventure, Fox Sports, BabyTV; 7 websites and .FOX Networks (that includes more than 1,000 websites in different categories).

For now, FIC is the only U.S. media group with Turkish offices to support local programming acquisitions, marketing and sales. Currently, FIC Turkey offers the highest number of thematic channels in that market.

"As a result of the successful operation of the FIC Turkey office, we have become a hub office to manage Southeast Europe including Greece, Malta, Israel and Cyprus," commented Yadigar M. Belbuken, deputy GM, Fox Channels Southeast Europe (pictured below). She continued: "At the moment we are focused on two projects: The launch of FOXCrime on November 14 of this year and producing local content for Nat Geo. FOXCrime on the D-Smart DTH platform fills one of the gaps within the market and we will be able to reinforce our strong positioning in the market." Belbuken further explained that, "We have a local content team that works with major studios for programming acquisitions to acquire content that meets the positioning of the channels. Some of the strongest content that our channels offer are: *The Walking Dead*, *True Blood*, *CSI*, *Glee*, *Falling Skies* and soon, *Terra Nova*.

"This reflects our commitment to the subscription television industry and to Turkey. We have unique feeds and brands fully dedicated to Turkish viewers. We specialize in building clearly positioned channels for local subscription TV audiences. These channels must also meet the needs of our local operators. We prefer full distribution and want to see growth in competition and value of subscription television. We aim to add value with the maximum marketing support to platforms and help them raise their TVHH penetration," she said.

National Geographic Channel (NGC) was launched in 2000 on Digiturk DTH platform and in 2006 on the cable TV system, Turksat. Subsequently, Turksat Digital Cable, Tivibu Web and Tivibu Home were added in 2008, 2010 and 2011 respectively.

FoxLife, exclusive to Digiturk, was launched in 2006. FX was launched in 2008 on D-Smart and the following year on Digiturk. In 2010, Turksat Digital Cable was added and, as of this year it became available on Tivibu Home.

Baby TV and Nat Geo Wild are also exclusive to Digiturk. BabyTV was launched in 2006 and Nat Geo Wild the year after. Nat Geo HD was launched on Digiturk in 2007 and it has been on Turksat Digital Cable since 2008 and on Tivibu Home since early this year.

Yadigar M. Belbuken, deputy GM, Fox Channels Southeast Europe

Nat Geo Adventure was launched in 2010 simultaneously on Turksat Digital Cable, Tivibu Web and Digiturk. Nat Geo Wild HD was also launched in 2010 on Turksat Digital Cable and on Digiturk. Nat Geo Music has been exclusive to Turksat Digital Cable as of 2008. FOX Sports is on Digiturk, launched in 2007, while FOX Sports HD was launched last year on Digiturk.

$350,000. If it's a period drama the budgets can go up to $500,000 to $600,000. On most series productions the broadcaster carries costs, but in some cases the production house can pre-finance the costs and the broadcasters pay the producers later."

Özsümbül added some perspective from the channel side: "Production companies are responsible for their own expenses. The channels pay a license fee per episode. Depending on the rating results of each episode, there can be some additional payments."

The international revenue is split three ways: Producer-network-distributor, but there is no standard for revenue splitting. It changes by project and varies from producer to producer as well.

"A couple of years ago, the

Izzet Ressam Pinto, Global Agency

broadcasters didn't take any share of the international rights," Okan recalled. "As Turkish series' popularity increased, the broadcasters prefered to keep the international rights and give a certain percentage to the producer from the international sales. [Usually], the broadcaster and the producers share the revenues 50-50 after deducting the distributor's share. The percentage that each distributor takes varies from

Turkey Gets Attention From Italy

The Rome, Italy-based Universal Channel Italia is taking advantage of the Turkish entertainment boom with a Turkish cable channel of its very own. Although Universal Channel Turkey premiered in December 2009, March 2011 marked its HD debut. The high-def version of the channel is available through D-Smart Platform, while its standard definition version can be seen through D-Smart and Teledunya.

Where content is concerned, the channel offers viewers a diverse range of acclaimed U.S. TV series from NBC and Universal's cable channels, and feature films. Popular series franchises include *Law & Order*, *Flipping Out*, *Million Dollar Listing*, *House* and more. With 340 hours of TV series and 330 hours of movies each month, the intended audience for Universal Channel Turkey is very broad.

This fall, the channel has a packed slate. The weekly schedule features a host of series, plus evenings of weekly themed programming like Tuesday's Reality Night, as well as a slew of romcoms, sci-fi movies and new releases.

Can Okan, ITV Inter Medya

(Continued on Page 38)


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(Continued from Page 36)

company to company."

According to Pinto, who credited his Global Agency for opening the door to Central and Eastern Europe with the popular *1001 Nights*, Turkish dramas have become so popular in the territories because, "they have great stories and work with high budgets. They are especially popular in the Balkan territories and in the Middle East where audiences find many similarities to their own cultures and feel connected with the series."

Okan further explained: "Due to strong competition in the local market, Turkish producers raise high budgets for their projects to obtain higher ratings, therefore the production values are very high. Additionally, while an episode of a Latin American telenovela is filmed in a day or two, the same process [in Turkey] takes a week or even longer, since the Turkish series are broadcast on a weekly basis, which increases the quality of the final product. Furthermore, Turkey is located between Europe, Asia and the Middle East, and our country reflects bits and pieces of the Western and Eastern cultures, which also attracts the international audience."

Added Özsümbül, "Especially [popular are] dramas that target female audiences — family dramas, 'Cinderella' stories because of the production quality, locations, good cast, acting and stories. We are all human and feelings are the same: love, revenge, and passion. [And] we use real locations, not studios."

Internationally, said Pinto, "the most popular Turkish TV products are the high-end drama series, those that do well in the ratings and have high production values."

To Okan, "Drama series and telenovelas are becoming more and more popular every day. Besides drama, some action series have also been successful in certain territories."

According to Global Agency's Pinto, "Rates for a 45-minute episode in various territories differ with every project and there is no standard. Prices can start from U.S.$500 per hour to more than $10,000."

Turkey Has Its Own *Desperate Housewives*

Last August, The Walt Disney Company Turkey announced that plans were in the works for a local production of U.S. series *Desperate Housewives*.

The original *Desperate Housewives* series was created by Marc Cherry and produced by Disney's ABC Studios. It was honored with the Golden Globe Award for Best Television Series — Musical or Comedy in both 2005 and 2006 and airs in over 200 territories. In the U.S. it is now entering its eighth and final season.

The Turkish version of the series will be called *Umutsuz Ev Kadinlari* and will be co-produced by Turkish production company Medyapim and Disney. It will air later this year on Kanal D, a free-to-air channel. Production will follow the format and storylines of the original, but with a Turkish twist, and it will be filmed on location in Istanbul.

Since 2006, four versions of *Desperate Housewives* have been produced in Latin America. The Argentinean version is broadcast in Argentina, Uruguay and Paraguay; the Colombian/Ecuadorian version airs in Colombia, Ecuador, Venezuela and Panama, and has been sold to Japan; the U.S. Hispanic version is broadcast in the U.S., Mexico, Puerto Rico and the Dominican Republic; and the Brazilian version airs in Portuguese in Brazil.

Tapeless in Seattle. Swiss "Bank" Enters B2B Content Delivery


Maurizio Zuccarini WCP's general manager

For content providers, the new holy grail method to deliver programs to clients — especially internationally — is without tapes, with lower costs and while maintaining a high level of security. The challenges, though, are many: The initial investments are high, security is crucial, customer acceptance is a must. But, for content providers, the biggest challenges of all are those originating from within, like dealing with contrasting internal pressures from those who favor the status quo versus the innovators. Plus, there are issues such as losing the trusted relationships with labs, and fear of entering new, uncharted waters.

In Cannes last MIP, *VideoAge* began discussing digital delivery issues with World Content Pole (WCP), a new and upcoming company based in Lugano, Switzerland. The topic had become a news-breaking story when the shutdown of a Sony tape manufacturer in Japan caused a shortage of HD videotapes used worldwide for content distribution — a story that *VideoAge* reported in its June/July 2011 Issue.

Last month, just prior to MIPCOM, *VideoAge* prepared a list of pointed questions for Maurizio Zuccarini, WCP's general manager who paid the publication a visit in New York to discuss digital delivery after a tour of Hollywood studios and other content providers.

VideoAge International: *Why does a U.S. studio or any major film TV company need an independent tapeless delivery service?*

Maurizio Zuccarini: For studios their best assets are their content, so it seems logical for them to want to manage it on their own. But if we compare assets to money, the most secure way to manage it is through a bank. Usually, though, companies don't own banks just to manage their own money.

For studios, the cost of building their own "banks" to manage their assets is high and a distraction from their core business, without creating any advantage, but only introducing the problems of maintaining and upgrading their "bank."

Plus, if every studio had its own proprietary delivery system, clients would be required to manage many different standards. This requires added servers, passwords, secure transmissions interfaces and software. Obviously that is too much of a burden for any TV network.

VAI: *In that case, what kind of security does a studio need from an independent tapeless delivery system?*

Maurizio Zuccarini: The highest system, the type used by banks, and in particular, Swiss banks. Without delving into technical details, that means data preserved at the same security level of financial data systems. Plus, an easy-to-use interface that permits customers to control the status at every moment [is key]. Basically, managing all their content with the ease of a home banking service, but with the strength of security available in high-stakes financial transactions. With World Content Pole, the content files are always secure because they are never directly accessible.

VAI: *What is World Content Pole's quality of services?*

Maurizio Zuccarini: We are like a Swiss bank. World Content Pole (or WCP) uses a management software that controls the content and the workflow exactly like home banking: Easy to use and immediate for any client that has an account. All the content is safe with banking data in servers and clouds.

The data transmission is managed with software to continuously control every single action, like the banking transmission system. All the infrastructure is powered by Swisscom, the national Swiss Telco. SUPSI, the Swiss IT and media university in Lugano, Switzerland, collaborated on the software development.

VAI: *What is WCP and how was it started?*

Maurizio Zuccarini: The starting point was to extend the financial banking system to the content business. So our approach was to create an entire platform of services that are easy to use, powerful and able to offer the best technological advances to make our clients' business safer, easier and more profitable. Simply, WCP does what every Swiss financial bank does in finance. Basically WCP is a Swiss bank for content.

VAI: *Is it possible that the Swiss government could grant WCP the same qualifications of a brick-and-mortar financial bank? In that case would the company name change to World Content Bank?*

Maurizio Zuccarini: I'm sorry, but I cannot comment. In our country, "bank" is as sensitive word.

VAI: *What can WCP offer to studios that have their own digital delivery systems?*

Maurizio Zuccarini: WCP will offer better connectivity and eliminate their interface problems — basically working like what a specialist would call a clearing house or a hub. At the same time, WCP offers content providers the opportunity to have a more secure archive or data backup: An all encompassing service that can be defined as "wellness," which demonstrates that WCP is not just a digital delivery facility.

VAI: *What does WCP do with clients that can't accept digital delivery?*

Maurizio Zuccarini: WCP serves all its clients best according to their needs and specifications. We also provide tapes or the requested material support, and we deliver it by Swiss post and/or other services like FedEx or UPS.

VAI: *Who are your potential competitors?*

Maurizio Zuccarini: My inclination is to answer that, so far, we don't have any competitors. But, obviously, there are many companies that offer some elements of our services with various types of approaches, managing systems and software. The larger of such companies in the U.S. are the ones that provide traditional types of delivery services. Some of those labs are trying to adapt to digital delivery, but at the same time are leveraging their relationships with clients to slow down the digital transition in order to buy more time, which is necessary to adapt.

VAI: *What is the difference between WCP and the other digital delivery services?*

Maurizio Zuccarini: Please understand that we are a bank not just a digital delivery service. WCP uses a Swiss bank approach to list what we offer to our clients: "Wellness." WCP was born after years of research and technological innovations. These elements were joined with components of media and production requirements, in addition to banking operating systems and management. To top it all, WCP has Swisscom's digital data secure storing and delivery. I don't believe that others can boast as much skill, security, versatility and quality.

VAI: *What are your client advantages?*

Maurizio Zuccarini: "Wellness" all around: Easy to use, security, a solid platform of services, cost savings and a problem-free environment. In other words, WCP gives all clients the opportunity to focus entirely on their own core business.

VAI: *What is WCP's business model?*

Maurizio Zuccarini: It is just like a bank. WCP doesn't manage rights or sell content. Our revenues are generated solely by the services we offer.

VAI: *Why, as a newcomer, should studios choose you?*

Maurizio Zuccarini: First of all because we are a bank — and a Swiss bank at that. Secondly, WCP represents a platform of high quality Swiss services. As indicated earlier, one of our partners, Swisscom, is a state-owned company that certifies safety, security and powerful infrastructures. Plus, as I said, WCP has SUPSI, the Swiss University of Lugano for IT and Media, which collaborated on our software development. Finally, WCP's plan is to open its main marketing office in Los Angeles and in New York City to be closer to our key clients who will benefit the most from our services.


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Dubbing's New Biz Models

International Film TV Sales Hindered By Dubbing Costs

Since the introduction of international TV program sales — well before the invention of globalization — dubbing has been crucial to the business. It fulfilled its function extremely well as foreign TV sales became a critical part of the global entertainment business. Now, however, dubbing has gone from being an asset (since it allows foreign sales) to being a liability — especially for independent companies. Indeed, thousands of good programming hours lie dormant in storage because of financial issues with dubbing.

The problem is that costs of dubbing — like production costs — have increased, while licensee fees in many cases are decreasing. Under these circumstances, small and medium indies can only afford to dub if a program is sold first.

But in a real catch 22, the program often cannot be sold if it's not dubbed first. Additionally, at times, potential buyers ask to check the quality of the dubbing even before committing. This chicken-egg stalemate doesn't affect large U.S. studios since they automatically dub all content themselves, but it is becoming a huge problem for indies who are unable to monetize all their library material.

Obviously, this dubbing problem exists mainly in regions where Spanish, French, English and to a lesser extent, Portuguese are spoken. The fact that they represent large territories magnifies the problem to the point that a new business model is needed. *VideoAge* went on a quest, interviewing program distributors and dubbing houses, to find the problems that these various sectors are confronting, and to possibly pinpoint new alternatives.

We all know that making a decent dub track is an extremely costly endeavor. Anna Dunn of Rome-based dubbing studio Cine Dubbing estimated 20,000-80,000 euro (U.S.$28,500-$113,700) as a standard price range for a feature film dubbed over in Italian — that's a lot of money to lay out with no guarantee on return.

Problems with accents

"No... what I distinctly said was 'you are the biggest ASSET in our organization' "

One common solution, said Deeny Kaplan, of Miami, Los Angeles and Caracas-based The Kitchen, is for distributors to get a demo made of part of their product, so they have a sample to show acquisitions execs. "At the major markets, like MIPCOM and MIP-TV, companies come to us and ask for a [dubbed] demo and record maybe 10 minutes or one episode, if it's a series in various languages, so they can show buyers." Last MIP-TV, The Kitchen produced 67 demos. Said Kaplan, "Very seldom do [indie distributors] do a whole series [on spec]. It would be crazy to do that."

Roberto Mendoza, who in addition to consulting on translation also works as a voice talent, said he is often called on to make demos. Companies pay him to do on-the-fly simultaneous translations of segments of their content, on the condition that if the product sells, he will be employed on the larger project. This type of demo dubbing is much cheaper than casting and mixing a complete track. "But there are some trade-offs for doing it this way," explained Mendoza, "you only get one voice for all the characters, and the diction, synchronicity and performance may not be as good."

For distribution companies, there are many benefits to dubbing. Miami-based Lisette Osorio, of Colombia's Caracol, said that her company has started using dubbing on programming in Africa, and subsequently, the whole territory has opened up for them. "It's a pretty good solution to be able to provide a finished product with dubbing," she said, adding that it has helped Caracol programming gain exposure in the region and increased demand. Osorio conceded that having a dub track makes it a costly endeavor, but has no alternate business model to suggest. "You have to think of it as an investment," she said. "You can get your money back, or even more, but you have to distribute it to a lot of channels."

The situation is complicated where rights are concerned, said Cine Dubbing's Dunn. "Each country has different laws," she said. "For example in Italy, two different rules apply regarding ownership of the dubbed track. One is that the company that has commissioned a dubbing automatically gains ownership of that track provided that it has paid the dubbing studio in full for that particular dubbing." But until payment is made for each dubbing, Dunn said, the rights will belong to the dubbing studio. If payment to the dubbing studio is overdue when the program is being aired, the dubbing studio has the right to order the broadcaster to stop airing the program.

Conversely, at The Kitchen in the U.S. and Venezuela, Kaplan negotiates a price upfront that includes all rights. "When I quote a client the price, they own all the rights," she said. "We pay our talent and it's done." Such varying approaches and interpretations of rights ownership can cause disputes since, up to now, the industry has not been able to create a common business framework.

Challenges notwithstanding, at least on the technical level, the future looks less problematic for the dubbing industry. "When *I Love Lucy* came out in the '50s, it took five decades for it to be dubbed into every language. Today everyone around the world is watching the new episode of *Grey's Anatomy* in every language, sometimes the very same day it airs in the U.S," said Kaplan.

On the economic front, TV sales could increase for indie companies if their entire pertinent inventory could be dubbed. Right now a good portion of potential content sales lie on shelves. It's clear that in order to monetize those dormant assets, the dubbing and distribution sectors have to come up with a new business model where both sectors can share costs and revenues. The advent of worldwide digital broadcasting channels will require an enormous amount of dubbed content. Just for Latin America, it was estimated by *VideoAge* Daily at NATPE 2011, the some 600 digital broadcast stations will require some 7,000 hours of compounded programming per day, which adds up to over 2.5 million hours of content a year. This compares to the current terrestrial use of 700,000 hours of programming a year.

Perhaps the answer lies not in a two-way split, but a new three-way business model, where the digital broadcaster is also involved in sharing costs and revenues.

Another business model idea came from Miami, Florida-based NewsProNet's John Cuddihy who advises distributors to give dubbing houses the licensing rights to one territory (such as Venezuela or Colombia) in exchange for dubbing costs.

For the Santa Monica, California-based former president of MGM International Distribution, Gary Marenzi, the best way for indies to solve the dubbing problem is to partner with news streaming and digital media (such as Netflix and Amazon) where they would pay for dubbing costs in exchange for streaming rights, while the distributor would retain broadcast, cable and other rights.

Finally, Ken DuBow, president of Tarzana, California-based international film distributor Opus, lets his sub-distributors pay (or arrange) for dubbing, with the understanding that, ultimately, Opus gets the dub's rights.

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The Art of the Takeover. JVs Are Not Favored

By Bob Jenkins

One of the great dynamics and contradictions of the content business today is, ironically, that as audiences become ever more fragmented, the business itself is becoming ever more consolidated, with greater and greater market shares increasingly concentrated in fewer and fewer hands.

According to a *VideoAge* article in the May 2011 Issue, the international TV industry is now concentrated in the hands of six major studios, 11 mini-majors and about 500 small companies (of which only 50 can afford some advertising).

Naturally, the goal of most small companies is to grow and prosper, possibly merging with other companies or being acquired by a larger group. But how many of the small companies' content professionals gathered here in Cannes know what is actually involved in a takeover? *VideoAge* checked in with three U.K.-based experts.

The first, and perhaps most obvious, question is which company does a group want to take over and why? For Jan David Frouman, group managing director at Red Arrow, it is, "First and foremost the people. We look for a leader or other individuals around whom we can build, and it is also very important to us that we work with people who are happy to be a part of the way we operate. Of course," he added, "creativity is important, and we do want people who are capable of contributing a steady supply of great formats, but we also want people who want to be part of the bigger structure."

At FremantleMedia, chief financial officer Ian Ousey said, "First we would have to be satisfied that the company fit our long-term strategy. We are," he revealed, "continually analyzing the industry and our place in it, looking at how we see the industry evolving and what, therefore, we have to do in order to position ourselves for growth. Any acquisition would have to fit into this strategy."

At Zodiak, COO Jonny Slow first

FremantleMedia's Ian Ousey

stressed that, "After several major acquisitions such as Zodiak, Marathon and RDF over the last three to four years, we are not necessarily that focused on acquisitions at the moment." However, he went on to explain, "If we were, the first thing we would think about is where the company is located. We would look for a market with good ad spend and a good regulatory structure, where producers have a good chance of hanging onto rights. Overall, our goal is to build global production reach and hold onto as many rights as possible."

The ability of a putative takeover to generate cash flow as well as profit is an important factor to all three companies. For Red Arrow, Frouman noted that, "The most common way to put a value on a company is to calculate a multiple of its cash flow." Interestingly, in light of Slow's comment, Frouman revealed that, "What the norm is for the multiple used will be determined by the territory in which the company is located." But he went on to stress that, "The feeling that everyone wants to do this deal is more important to us than money. If a deal is only done for financial reasons, [it] is the road to trouble."

This is also the case for FremantleMedia where Ousey said that, "We would do a five- to 10-year business plan, as if that company were in our hands, to determine both its profitability, and, more importantly, its cash flow." But he too remarked that, "It is important to understand that we are not speculative investors. While we do have to make a financial return on our investment, our primary reason for buying a company will always have to do with the overall business strategy."

Meanwhile, Red Arrow's Slow pointed to "the scale of a company's operation, both by revenue and the profit made on that revenue," as well as, "the ability it has demonstrated to hold onto rights, then successfully exploit those rights, and, of course, EBITDA is important, as is the company's ability to turn profit into cash."

Common to all three companies is the frequency with which takeover deals come out of personal relationships, especially when the two companies have already been working together in some way. Fremantle's Ousey cited acquisitions such as the Danish production company Blu in 2005, Original Productions from the U.S. in 2009, and last year's acquisitions of @radical in the U.S. and Ludia in Canada. He pointed out, "These were all companies with which we had had very successful and collaborative partnerships. Working with companies in this way means we have the opportunity to get to know the management team and the company and the way it is run, and decide if we like what we see." Ousey described this

Red Arrow's Jan David Frouman

Zodiak's Jonny Slow

process as "a form of financial dating." Echoing these thoughts, Slow said, "Generally we like to make an informal approach to companies with which we are already doing business. One good way is through the international sales arm. Sometimes a company puts itself up for sale and we might be approached by a bank, or invited to take part in an auction, and, while I wouldn't rule out us taking a look at that, we do have a marked preference for the informal approach."

Frouman was also in accord with these sentiments, insisting, "I really prefer sourcing opportunities via referrals. We are very plugged into many markets through our channels and I like to rely on the opinion of people with whom I have worked and whose opinions I trust and value."

There are many other commonalities as well. All three companies dislike joint ventures (JVs), having a marked preference for acquisition. And, in all three cases this is because they see JVs as having an inherently limited life. The general attitude was summed up by Slow, who commented, "I am not keen on JVs, these tend to occur when two or more partners come together because they want to create something to which each can bring a unique contribution. And, for this reason alone, they tend to be, almost by definition, short lived entities."

Another view of takeovers common to all three interviewees was an insistence on a majority stake, and all three were keen that the principals of the company being bought should have an incentive to remain with the group. Both Frouman and Ousey suggested that an initial majority stake with further share purchases along the line at higher prices determined by performance was a preferred method of achieving this, while Slow expressed "a preference for 100 percent ownership." But he sought to create the required incentive by, "making part of the payment in Zodiak Group shares."

Traditional Media Losing FT Global 500 Rank

By Giovanni Verlini

The diminishing financial importance of traditional media conglomerates witnessed over the last few years could be an indication of a seismic shift underway in the industry.

This is despite the fact that, according to the Motion Picture Association of America, Hollywood generated an $11.7 billion trade surplus in 2008, larger than industries such as telecommunications, consulting, legal and insurance services.

Media companies fill the silver screen, the small screen and, more recently, the computer monitor, with images and dreams that dominate people's imaginations all over the world. Yet, most of this global audience would be surprised to find out how marginal media companies have become when it comes to sheer economic force and size. But this wasn't always the case.

Take the FT Global 500 list, a ranking of the world's largest listed companies by market capitalization compiled by the London-based *Financial Times*. In the 2011 list, the largest media company is the U.S.' Walt Disney, which came in at 75th place, up from 82nd a year earlier, at a value of U.S.$81.8 billion. No other media conglomerate made it into the top 100. Comcast fell just short, notching 101st place thanks to a market capitalization of U.S.$67.4 billion, while News Corp., whose stock before the *News of the World* phone hacking scandal was worth U.S.$47 billion, is a distant 171st. The rest of the list included: Time Warner (211), DirecTV (230), Vivendi (244), Thomson Reuters (266), Viacom (320), Time Warner Cable (374), British Sky Broadcasting (397), Naspers (421), Reed Elsevier (475). The U.S.' Liberty Media closed the list in 481st position with a market capitalization of U.S.$19.7 billion.

Despite its high visibility and glamorous profile, the media is one of the smallest industrial sectors in the world. Banks and oil companies remain the two most valuable businesses on the list, while in 2011 mining increased its position from ninth to fifth on the back of rising demand for hard commodities such as gold and rare earths.

Even more interesting, however, is that not all companies listed under media produce content, at least not as their primary line of business. While a company like Comcast wears a double hat (i.e., that of a provider of entertainment, information and communications products and services, as well as that of a producer and distributor of entertainment, news and sports through NBC Universal), other companies have a more limited role. BSkyB and DirecTV are mainly satellite platform operators. Thomson Reuters defines itself as a "source of intelligent information for businesses and professionals," best known for its news agency operation. South Africa's Naspers focuses on Internet platforms, pay-TV and the provision of related technologies and print media in developing countries, while Time Warner Cable delivers the same range of services across the U.S. market. Reed Elsevier is a publisher for the scientific, legal, educational and business markets, while Liberty Media owns a broad range of electronic retailing, media, communications and entertainment businesses. In other words, they are first and foremost distributors of content.

"Just like Big Business"

This leaves a total of five conglomerates: Time Warner, Vivendi, Viacom, Walt Disney and Comcast, as the only true producers of entertainment content — though all of them also control or have interests in distribution platforms. Vivendi, a French company that managed to weather the storm it experienced under the stewardship of former CEO Jean-Marie Messier in the early 2000s, was the only challenger to U.S. supremacy in this sector.

So far, this is the picture for 2011. But how did these companies do in the past? And how have things evolved for the media sector? A quick look at the 2003 FT Global rankings, the oldest of such rankings available, revealed stimulating details.

In 2003, five media companies made it to the top 100: Comcast (43), Viacom (44), AOL Time Warner (48), Walt Disney (83), and News Corporation (93) — which at the time was still incorporated in Australia.

Besides the top five, the list included 18 additional conglomerates classified as "media and entertainment" companies among the top 500. These were: Liberty Media (153), Clear Channel Communications (171), Gannett (196), Thomson (207), BSkyB (210), Vivendi Universal (222), Cox Communications (226), Reed Elsevier (234), General Motors 'H' (274), Fuji Photo Film (286), Tribune (305), Omnicom (320), McGraw Hill (379), Mediaset (422), Dai Nippon Printing (444), WPP Group (465), Fox Entertainment Group (473) and Echostar Comms 'A' (499). The companies' market capitalization ranged from Comcast's U.S.$68 billion to Echostar's U.S.$9.4 billion.

All in all, in 2003 a total of 23 media companies made it to the top 500, as opposed to just 13 in 2011, which represents a reduction just short of 50 percent. The companies' ranking also decreased, with five companies within the top 100 in 2003 as opposed to only one in 2011. The only constant between the 2003 and 2011 lists is the U.S.' position of dominance in the media sector.

So what happened between 2003 and 2011 to cause these changes? Some mergers, of course, took place. For example, News Corp. took over Fox Entertainment Group, and the new entity was eventually incorporated in the U.S. Yet, at the same time some companies were also broken up. In 2009, for example, AOL Time Warner spun off its cable and Internet business, creating Time Warner and Time Warner Cable. This is widely believed to be proof of the fact that the much-anticipated "convergence" between content and multiple delivery systems does not work — at least, not so far.

This means that the discrepancy between the two lists is due to the fact that, over the last eight years, media companies have simply failed to grow at the same rate as other conglomerates. There might be several reasons for that. First, in an industry rife with piracy and notorious unpredictability, content and entertainment cannot be easily measured in monetary terms. In addition, this data highlights once again the importance of small producers in a sector in which creativity plays a crucial role.

Yet, there are other elements that should be taken into consideration. In the 2011 FT Global list, a company called Google ranks 28th in the world. Needless to say, in 2003 Google was neither on the list, nor on the stock market, as it had its Initial Public Offering in 2004. At the same time, a company called Facebook is reportedly planning a U.S.$100 billion flotation in the near future. IT giants such as Microsoft, which still ranks as the 10th largest company in the world, are trying hard to become players in the new Internet age.

Meanwhile, philosophers, social scientists and media analysts are debating the so-called "social media generation," one that is increasingly shying away from traditional consumption of entertainment, while embracing new, Internet-supported media channels. The new platforms for delivering content, in other words, are not just itching to replace old ones. They are also affecting the type of content consumers demand: consumer-produced, collaborative material.

However, some experts are now openly talking about the fact that we might be witnessing a second Internet bubble, one that might be even more inflated and dangerous than the one that burst in 2000. Yet, regardless of whether an Internet 2.0 bubble materializes the trends media companies experienced between 2003 and 2011 could turn out to be just a preview of things to come.

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Theatrical Distribution Costs

For Indies, Digital Cinema Is More Real than Reels

By Erin Somers

America is certainly the land of plenty, but when it comes to show business, it tends to become the land of scarcity, especially for independent film production and distribution companies. This statement could apply to almost any aspect of the business. But particularly challenging for the indies is theatrical release. For studios, which have deep pockets and often own theater chains, theatrical distribution is no sweat. Indies, on the other hand, must negotiate the high costs of theater booking and release prints on a shoestring. That's why, as Frank Sinatra said in a song a long time ago, "If [you] can make it there, [you] can make it anywhere."

Let's see what it takes, starting with the facts: Each release print (or the copy of a movie that's delivered to theaters) of a 90-minute feature takes up multiple reels of film and costs approximately $1,500-$2,500. Cost per print varies according to the length of the film and the number of copies.

Katelyn Lieber of L.A.-based indie film production company New Films International said her company has done anywhere from five to 400 prints for a film. "It depends on the theatrical bookers: Who they can show the film to and where they can get you in." Doing the math, that's a window of $7,500 to $1 million in print costs alone. And although Lieber said that she has seen prints "bicycled" before (meaning as soon as one theater is done with a print it is shipped to the next theater, cutting down on costs), for New Films International this is not the norm. "They usually have a sufficient number of prints for all the theaters," she said.

In general, commented Lieber, companies like New Films International use a middleman to manage the nuts and bolts of theatrical release. Cindy Bond, president of Los Angeles-based Mission Pictures concurred that "theater bookers" are the way to go for indie companies. Most recently, Bond has teamed up with Salt Lake City-based Rocky Mountain Pictures for her company's theatrical release needs.

"The way it works," explained Bond, "is we structure a flat fee for them and then based on the collection of revenue for a film, they get a bump or bonus." Bond estimated that bookers receive a ballpark of low six figures for a feature Mission Pictures hopes to place on 600-800 screens throughout the U.S. Additionally, she emphasized the importance of the bonus: "It incentivizes the bookers to get it on more screens."

Asked to estimate how many screens a standard indie aims for, Bond was practical. "It depends on the film," she said. But she also added that it is not uncommon for a film to gain steam or buzz after it has begun screening and get booked to additional theaters mid-run. "Suddenly, as you're booking it, requests start to come in," she added.

So what does the booker's job entail? First and foremost is finding interested theaters. Then comes negotiating the house allowance, or "nut" with the theater. This is the amount that covers the theater's costs to screen the film each day. Also to be settled is the percent of the split of profits between the theater and the distributor (this is often a pre-set price the theater bids for the film in advance, rather than a percentage of the box office), as well as the length of the film's run. Finally, it's up to the booker to physically get the film to the theater.

New Films' Lieber also stressed that a lot is changing due to the growth of digital cinema. With digital delivery, movies are stored on hard drives or optical discs or even sent by satellite and then projected in theaters using digital projectors. The technology has been gaining ground since its introduction in 2005 and advancements in post-production indicate that big, bulky film canisters will soon be a thing of the past altogether.

Cinedigm is a Los Angeles-based company that is leading the digital cinema revolution. Established 10 years ago under a different name, the firm has pioneered the transition of theatrical distribution from analogue to digital. Chairman and CEO Chris McGurk explained that about half the screens in the U.S. are currently digital and by 2012, he expects there to be more than 30,000 using digital projection nationwide.

Chris McGurk of Cinedigm

While storing a film on a hard drive costs a fraction of the price of producing and shipping analogue reels, the big expense in terms of digital delivery is not the cost of the copy of the film, but of converting theaters to digital projection. Such a renovation can cost theater owners upwards of $150,000 per screen. According to McGurk, this cost is the reason that it has taken digital this long to catch on. He said, "The transition to digital has come to the industry five years later than it should have, because everyone was trying to figure out who should pay for it." The studios thought the theaters should pay for the upgrade, and vice versa. The solution to that conundrum came in the form of a compromise. Distributors screening their films at theaters agreed to pay an additional fee for each feature screened that was used to help fund the pricey conversions.

Challenges aside, digital cinema has a lot to offer distribution companies, especially the indies. According to McGurk, the technology will save studios billions, but the little guys stand to gain even more. "Right now the environment in independent film is not very healthy. To be able to distribute your film in a much more efficient or cheaper way without having to go through a studio is worth its weight in gold to independent theatrical producers," he said. And, he added, Cinedigm is working on a distribution strategy catered specifically to indie companies to be rolled out January 1, 2012.

Plus, further advantages are on the horizon. Delivery by satellite will soon enable films to be screened overseas on the same day they are released in theaters domestically. "It really enables day and date release on a worldwide basis," said McGurk. "Right now they repurpose domestic prints after the domestic release. With digital you can do same-day release overseas."

New Films' Lieber also pointed to a reduction in piracy as one of the pros of the new technology. "There is a specific key that goes along with each print," Lieber explained, "so only the theaters can unlock the content." McGurk concurred, calling digital cinema "100 times safer" than the old system, where film canisters would go missing on a regular basis, or would simply not be returned by theaters.

To combat piracy and other potential pitfalls, Digital Cinema Initiatives (DCI) was created. The organization, based in Hollywood, was formed in March 2002 as a joint venture of Disney, Fox, Paramount, Sony Pictures Entertainment, Universal and Warner Bros. Studios. DCI's mission is to standardize the specifications for digital films and projection technology to ensure quality control from theater to theater and to promote digital cinema. With the studios behind it, the rise of digital cinema is a safe bet.

At the moment, attendance at the box office is on the decline due to the rise of Internet streaming and downloading. McGurk reported that around 20 percent of movie theater seats remain empty annually. With diminishing box office returns, theatrical release has become less and less viable for independent companies. However, some distributors think that digital cinema will turn all this around. Said McGurk, "Increasingly one of the alternatives is not even going theatrical," adding that from a marketing standpoint this is not advisable. However, he noted that with digital cinema gaining ground, "this is an exciting time for everyone." And that includes the indies.


revenge
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Film Financing Models

(Continued from Cover)

description have been done during this latest film-financing capital cycle, and they've frequently involved hedge fund managers, investment bankers, private equity fund managers and other alternative investment types. In fact, it's these finance industry players that characterize the latest capital cycle (which dates to roughly 2004) and distinguish it from previous cycles. But before we continue, a word on previous cycles.

Like cinematic movements, film financing seems to come in waves. A former hedge fund manager, who has extensive experience in the film-financing field but prefers not to be identified, summed it up this way: "If you go back 30 years, you see the Japanese coming through; 20 years ago, insurance companies; 10 years ago, German film funds who had tax reasons for investing in films; and then this last decade, it's been hedge funds, largely."

Each investment wave has its own characteristics. In the early '80s, much of the investment was tax driven: investors could purchase films as they were being completed and effectively lease them back to distributors. They could accelerate the depreciation and amortization of the asset just purchased to defer income and other taxes.

Insurance companies, during their Hollywood period (roughly the early '90s), offered to insure gap loans on films. Banks would provide gap financing to producers, then insure the loans in case sales targets were missed and producers couldn't make good. Emboldened by their insurance policies, banks increased the gap loans to as much as 50 percent of film budgets. Many films failed to reach their sales targets, many insurance companies were called in to repay loans, some litigation ensued and, as a result, insurance-backed gap financing has become more rationalized since the height of the market.

Past cycles have also been characterized by public underwriting. The German government, in response to the increasing domination of the U.S. studios, developed a public market in tax-shelter vehicles — the Neuer Market — which raised money from wealthy German investors. Large German film funds like Helkon and Kinowelt invested hundreds of millions of dollars in independent production companies like Newmarket and New Line Cinema. The funds sprang up like mushrooms, their trading prices soared, and then in 2001, the Neuer Market melted down, a victim of bankruptcies and insider-trading scandals, and with it went the film production financing funds. The collapse left major studios and large independents looking for new sources of production financing.

And that brings us to this latest film-financing cycle. Between 2004 and 2008, an estimated $15 billion was invested in slates of films. Players like Merrill Lynch, Credit Suisse, Deutsche Bank, Goldman Sachs, Citigroup and JPMorgan all arranged co-financing deals with studios raising money from hedge funds and private equity firms. The players were mostly U.S.-based and mostly on Wall Street. The financial crisis had its effect on this sector, like all others, but after a lull, money is once again flowing back into the film industry.

It should also be mentioned that, through all financing cycles, there's one group of investors that can always be counted on: People using methods of analysis that don't relate to the statistical success rate of films, i.e., my daughter is in the film, my son has always wanted to be a film producer, my son wrote the script, my wife wants to be a movie star. Such investors go into the business for emotional reasons and often end up with an enormous pile of burnt cash.

Film financing is a complex business that requires good information, strong experience and a balanced approach that avoids emotion about being in the business. It is not for the faint of heart. So who is it for? Film investors fall into three main categories: First, there are "angel" investors — family and friends of the filmmaker who invest for other than strictly financial reasons. Second there are those who think they can "beat the house" by picking better films.

The third category of investor is able, by virtue of scale of investment or some other means, to truly diversify across a number of different investment opportunities. This investor looks at films the way others look at real estate — knowing many things could go wrong, but that if he's truly diversified and invests on a significant scale, and is very diligent, then over a reasonable period of time, he'll reap a "very handsome return." Which is basically what the studios do — although even the studios get it wrong.

Producers have a number of ways of financing their films. First, and most basic, is equity: this is the early-stage financing that turns a script into a film in progress. As with much

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Film Financing Models

(Continued from Page 50)

venture-capital, "angel" and other seed capital seeking high returns against high risk, most equity investors in the independent environment fail to see returns on their money. On the bright side, most equity investors in the independent environment don't expect their money back — they're the ever-dependable investors mentioned above, frequently the family and friends of the filmmaker. When they do see returns, of course, they are sometimes spectacular, as was the case with investors in *The Blair Witch Project* — made for about $60,000, the film went on to gross $249 million worldwide. But films like *The Blair Witch Project* are the exception, not the rule. Most people who invest professionally in film financing don't do equity investing and even studios have to own a film outright if they're going to make an equity investment in it.

Next is senior debt, which accounts for a significant portion of the film's total financing. Traditional providers of senior debt (banks like JPMorgan Chase) require a security interest in the film and all revenue streams associated with it in priority to equity. So, before a film is completed, a producer might sell the distribution rights (including theatrical, home video/DVD, pay-TV, free TV and other rights) for various countries. The producer can then use the value of these contracts as collateral against a production loan from a bank.

Another form of financing, which became an important part of the funding for independent films around 2002, is 'soft dollars' or tax credits for shooting your film in a certain state or country. One fund manager recounted his own experience with a tax credit deal in Connecticut for "a fairly mediocre" film. In that state, a portion of the film's budget qualifies for a tax credit provided the filmmakers meet certain criteria in terms of filming and spending in the state. The film had a budget of about $60 million with a tax-credit qualifying portion of about $20 million. To get the credit, however, the director couldn't simply promise to spend in the state — he actually had to do it, then claim the credit later.

The director thought a better deal might be to swap the right to the tax credit for ready cash he could use to finish the film. To sweeten the deal, he'd offer to sell the credit at a discount ($16 million).

However, for this sort of deal to work, credits must be transferable — no financier will be interested if the rights can't be assigned directly to him. The Connecticut tax break could only be used by a corporate taxpayer with a tax obligation to the state, so a financier purchasing the tax credit needs to use it himself or sell it to a Connecticut corporate taxpayer who can use it. The Pennsylvania tax credit, on the other hand, gives you an actual rebate, so when the film is done, you submit the expenditure documentation and they cut a check.

Since 2005, according to *Business Week*, states have granted $3.5 billion in incentives to makers of films, TV shows and commercials, but many of these programs are currently under assault, as states struggle to balance budgets.

"This is my silent partner"

Still another component of film financing is print and advertising (P&A) financing — prints need to be made for theatrical distribution, but the main part of the tab is advertising. The typical P&A budget today is equal to the film budget, if not higher. For example, a $16 million film with a $20 million P&A budget, financiers offer to provide $8 million senior debt at 20 percent, which is a very common interest rate range for P&A financing. What's distinct about P&A is that it has no security. The rights to the film itself are not the security, but it is senior by virtue of the order of payment, which is effectively like being senior secured in that the revenue from the film — after the distributor is paid — pays P&A first. Last in, first out.

Producers can also earn money from product placement. And then, there is slate financing.

Whatever the structure of the film-financing deal, those involved hope for a Hollywood ending, i.e., the film is a smash hit and everyone involved gets fabulously wealthy.

The odds, however, are stacked pretty steeply against this. A large-scale, independent studio making 12 films a year will probably get eight losses, two break-evens, one pretty good film and one hit. Smaller-scale institutions with the wherewithal to make only four films could find themselves with four losers and end up closing shop.

As a business proposition, it's better to spread the risk over a larger number of films. That's an ability the studios have always had — they can release 20 films over a season and are virtually guaranteed, if they did their math and everything else right, to make a profit because they would distribute risk and return expectations in such a way as to have a normal statistical distribution.

A slate of films, as it's called, probably won't bring great wealth but will prevent the investors from losing their shirts, and that's often the goal in film production financing — not to hit the ball out of the park but not to lose everything. Because it is one of the most volatile industries that there is.

Borrowing a page from the studios' book, hedge funds and other investors entering the film-financing world decided to create their own slates. Slate financing is a "term of art" for a financing arrangement in which an investment group provides capital to a major studio-distributor or its subsidiary. Every deal is different, but in an article on the subject, Los Angeles entertainment lawyer Jeffrey C. Foy wrote that generally, the investment is in the multi-millions and the studio receives a distribution fee between 10 percent and 15 percent and is allowed to recoup its marketing costs before splitting the profits with the slate investment group. Slate financing funds can offer senior, mezzanine or equity packages, depending on investor risk appetite.

Slate financing agreements put financiers into relationships with major studios and large independents. Most studios have a real culture of partnership. They will step in to protect investor money when necessary — and it can be necessary, because the movie-making business is a constant battle between creative and commercial forces. Give money to creative types and they'll spend it. But not to put it in their pockets, but to create something all that much more spectacular. Sometimes, allowing the creative team to spend millions pays off, but more often, it's money — investor money — down the drain.

Some studios are basically looking to share the risk (and, along with it, the higher returns) inherent in filmmaking with hedge funds or private equity firms. In return, the studios get distribution fees, which give them steady returns, which can be shown to analysts who might give the thumbs up to the studio's stock, pleasing shareholders.

Other studios are more opportunistic about third-party financing, seeing it as a chance to off-load an ugly slate of films. These are the sort of deals that can go south — the final scenes played out by lawyers. Still other studios are so expert at managing their cash flows that they play this distribution fee/tax game perfectly well, to where the amount received by the provider of capital is effectively the same as something better than an investment grade bond.

This article was originally published on February 27, 2011 by FINAlternatives, *an online investment industry newsletter.*

Film financing is a complex business that requires good information, strong experience and a balanced approach that avoids emotion about being in the business. It is not for the faint of heart.

From Idea To Pilot

(Continued from Cover)

producer has to go through a minimum of 10 gruesome steps before the script has a chance to see the light as a pilot.

And even that process, according to a Hollywood veteran, can offer "1,000 possible scenarios."

Naturally, the more powerful one is, the more layers of the process one can shed. Someone like Clint Eastwood, for example, can make a phone call to Warner Bros. and the pilot is made.

Others who are well-connected can get an idea straight-to-series, as was the case with NBC's order for 22-episodes of eOne Productions' *The Firm*, based on a John Grisham novel (which was also a 1993 movie). Usually "straight-to-series" is a privilege reserved for a theatrical hit, an old TV hit, a bankable producer (who can attach a known producer, writer and a good cast to the project), or a fortunate insider who can show a renewable premise (the potential for a new episode each week) with franchise potential.

For mere humans, though, without an agent, an idea or script cannot be reviewed by a production company even if it has all the necessary copywrite protections (such as registration with the Writers' Guild). Plus, agents, production companies, TV networks and studios will return and/or destroy all unsolicited scripts, since it is a requirement imposed by their legal departments.

Hollywood works under three scenarios: The very-connected, the averagely-connected and the un-connected. Even though, for editorial purposes the last scenario would be challenging, for many readers the "averagely-connected" scenario is the most practical. It should be noted that, in many cases, producers start out as part of a writing team.

In general, an agent (or a lawyer) pitches the idea to a production company that asks for an outline or a full episode script. The agent can also go directly to a studio or a network, but ultimately a production company is always attached to the project.

Traditionally, a production company pitches the story to a studio or a network. Often, studios and networks have "first look" deals with the well-connected production companies, writers, actors and other talent. Subsequently, the studio pitches the network or the network pitches the studio. If the

Producer consultant Tony Friscia

idea flies, the network authorizes the studio to make a pilot and pays the studio a license fee of something like $1.5 million (about 40 percent of the pilot's cost, for a broadcast network drama) in exchange for the rights to run it, including spin-offs. The studio retains the rights to the potential series in syndication (both domestic and international).

As an example of a project — as reported to *VideoAge* — from an averagely-connected Hollywood insider, we can illustrate the experience of Jerry McTigue, a scriptwriter from New York City who penned a TV pilot titled, *Bed and Breakfast*, a half-hour sitcom set in a Manhattan brownstone owned by a married couple, Harold and Beth. The couple decides to rent out rooms in their brownstone to short-term visitors. The comedic factor is the interaction between Harold and the guests from various countries, religious backgrounds and professions.

McTigue sent the TV pilot script to his Hollywood friend Tony Friscia, who at the time worked at Twentieth Century Fox Television. Friscia gave the script to his friend, the late Mark Evans, who was the head of TV production at FOX. In turn, Evans gave McTigue's script to a producer friend. The producer sent the *Bed and Breakfast* pilot script to his contacts at the Mary Tyler Moore Production Company, which gave the producer a deal memo to option the pilot. The project eventually died.

Another Hollywood characteristic is that projects can add on producers as they advance towards the green light. Take the story of the *Smallville* project for example, as it was recounted to *VideoAge*.

Marquee Tollins-Robbins Production (the production company of Mike Tollins and Brian Robbins) approached Peter Roth, president of Warner Bros. Television, about developing a series based on a young Superman. So the project started out with two producers. Roth asked Alfred Gough and Miles Millar to write the pilot. In the process the project got two more producers. At that time Joe Davola was working with Tollins-Robbins and was assigned to the new series. Hence one more producer, which brought the number to five. And this is without including the showrunner, who sometimes is also added as a producer.

Millar-Gough pitched the project to both The WB (now CW) and FOX TV network on the same day. *Smallville* was a derivative of *Superman*, which is owned by DC Comics, a division of Warner Bros., that also owned The WB. In the case of *Smallville*, a bidding war ensued between FOX and The WB, with the latter ultimately winning a 13-episode commitment.

At this point another element comes into the picture: The financial muscle of the studios. This is because the more successful a series becomes, the more money the production company loses before international and domestic syndication. Plus, each new season will generate more deficit financing, since the network's fee will only cover part of the total production cost.

For example, for the 2011-2012 TV season the U.S. studios are looking at deficits in the order of $1.2 billion for full season (22 episodes) series. These financial requirements could kill an independent production company, such as reportedly was the case with the U.K.'s Power, which produced *Robinson Crusoe*, a 12-episode series for NBC.

The large production deficit for the series contributed to the British indie going into receivership, despite its co-production partners. What's more, NBC dictated the creative content (which is often the case), making it a family-oriented series, while the producer wanted an edgier story. According to some accounts, the blander version made it more difficult to recoup the production cost of over $27 million on the international market.

Even though the Power case study proves that it's not impossible for an

G. Gaynor (Jerry) McTigue

indie to land a U.S. network order, it also indicates how difficult it is to succeed financially. With the advent of Internet companies (Incos) that are increasing their own video production (see related story on pg. 58), more indies are now landing sponsored assignments at Incos such as Yahoo and Google (the so-called "Webisodes"). Then, if the shows become popular with audiences, the possibility of migrating to a network becomes more realistic and, this time, with fewer steps. Witness the success of *Web Therapy*, a show created by the well-connected Lisa Kudrow (*Friends*) that started online (like on YouTube) in 2008, and this past July ended up on Showtime in the U.S., with the international rights being sold by FremantleMedia. Similarly, *Childrens Hospital*, which started in 2008 on TheWB.com, began airing on Adult Swim (Turner's cable TV network that shares air time with Cartoon Network) in 2010.

Finally, for any producer, pitching has been elevated to an art: Not only in the presentation itself, but in the ability to know the target. Certain networks have a genre "look" they want to project. Producers are aware of this and will bring projects to the networks accordingly. It may also depend on the genre; for instance young and sexy shows are for the CW or FOX. Plus, if a TV series is a spin-off of a theatrical movie, it will always go to the studio that produced the movie (e.g., *M*A*S*H* from Fox theatrical production to FOX Television, to FOX network, to FX).

Due to consolidation, this practice is becoming the norm for most TV projects where, for example, Warner Bros. produces for CW, HBO and Turner; Disney for ABC and ESPN; Fox for FOX and FX, NBC Universal for NBC and E!; and CBS Studios for CBS, CW, MTV and Showtime.


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Countries Affecting Int'l TV Biz

(Continued from Cover)

a 1.1 billion euro budget) has yet to be found. Under these conditions public stations are accumulating deficits that, at times, like in the case of RTVV in Valencia, can reach the order of one billion euro (U.S.$1.43 billion).

One solution, proposed by the Popular Party in case of victory at the upcoming November elections, is to privatize all the public regional stations (grouped under the FORTA association).

On the commercial side, with the digital terrestrial channels, the audience registered a strong fragmentation with subsequent lower ad revenues. This change induced channels like La Sexta to switch from a generalist schedule to a reality format channel, and some DTT channels, like Veo7, have gone off the air.

However, Sabrina Ayala, VP, Sales and Acquisitions, Latin America and Iberia at Cineflix reported, "overall, volume deals have gone up in markets where there are new players due to the arrival of new DTT channels, Spain and Italy are, in particular, examples of this."

Although Dermot Horan, director of Broadcast and Acquisitions at Irish state broadcaster RTE, admitted, "At the moment I would say that we are probably buying a bit less than we did in the past" adding, "we are certainly trying to get more value out of our purchases by securing more runs." In terms of pricing, Horan said, "The prices we pay are either steady or going down, it depends on the product, but they are definitely not going up. It is certainly the case that we are doing everything we can to put as much of the money as we have got onto the screen."

Horan's comments in regards to pricing were endorsed by Iacono, who said, "Prices in Ireland and Italy have been stable, while Spain, if anything, has been going up. Prices in Greece at the moment are very difficult to comment on as they are buying so little." The low dollar-euro exchange rate helps with U.S. acquisitions, even though the low dollar masks the problem of speculation that keeps economies stagnant.


De Angelis Group's Andrea Zoso

This may be true of acquired programming, but Andrea Zoso, CEO of Italy's De Angelis Group, said that in terms of commissioned programming, "Italian broadcasters are commissioning less in terms of both volume and price." He estimated that "domestic commissions are down between 20 percent and 30 percent by volume and 25 percent to 30 percent by budget." Illustrating his point, Zoso suggested, "A few years ago you might have been given three million euro (U.S.$4.25 million) to produce 30 shows. Now you're likely to get only 1.4-1.5 million euro (U.S.$1.98-$2.13 million), but the broadcaster will still expect 26 or 27 shows for that money."

Zoso's production figures were considered much too high for Italian TV productions by other Italian producers, one of whom commented: "It's absolutely impossible. On the average, a high-budget drama series costs about 500,000 euro per hour [$710,000]," or about $21 million for a 30-episode order. According to Italian indie producer Antonio Ferraro, "If you are talking about drama, you may consider that five years ago the budget was around two million euro for a TV movie of 100 minutes. Now we are talking about a cost of 1.5 million euro for the same format (naturally miniseries and serials are less expensive)."

But Zoso stood by his figures and added: "At this sort of budget level, it is not possible to produce the sort of 'local' drama that is most popular. As a result, co-productions have increased over the past two to three years. "Of course," he continued, "the problem with this is that the stories and cast are not so 'Italian' and, as a result, the programs are not as popular as they might be — but they do meet the budgets!"

Another consequence of the economic downturn Zoso highlighted is that Italian broadcasters are now much more focused on both budgets and deals. "In the past," he observed, "Italian broadcasters paid attention to the above the line, but used to be fairly relaxed about the below the line budget. Now all of that has changed. They want to examine the entire budget both before and after production; additionally, they want a percentage of the net profits and are much more determined to have their distribution arm handle any rights that are going."

Although Zoso pointed out that "these comments relate to scripted programming, it is much more difficult to generalize over unscripted, as there are so many variables here. Some networks," he continued, "are still buying formats, while others are seeking to develop their own, and some such shows are more reliant on their presenters than others. But, overall, since formats are cheaper to produce than drama and they can deliver the same sort of ratings, production of unscripted may have gone up."

In Portugal, however, Nuno Bernando, co-founder and CEO of local producer BeActive was much more pessimistic. "Over the last few years," he asserted, "we have been faced with a contraction from broadcasters in terms of any kind of investment in new programs. The new government," he continued, "has agreed with the IMF to sell-off RTP (the state broadcaster) and is facing severe budget cuts prior to the sell-off. Additionally, commercial broadcasters are constrained by increasing competition from cable and also by cuts overall in advertising spend." Bernardo elaborated, "Broadcasters are now only investing in proven winners such as soaps and reality formats like *Idols*, *Master Chef* and *The Biggest Loser*, as well as the odd comedy."

Additionally, Bernando reported, "Budgets are being reduced every quarter and, in order to get 'more bang for their buck,' shows now also have longer running times. Many international formats now have 'gala' editions running between two and three hours, whereas, in the past, they would probably only have run for 60-90 minutes." His predictions for the future were also bleak, "with cable and digital channels experiencing strong growth rates and not having any local programming quotas, commercial channels are facing a loss of revenue as advertising budgets are switched away to them from terrestrial broadcasters." He predicted that budgets from the four main networks will shrink over the next few years, with the exception of a few major crowd pleasers such as football matches, telenovelas and big entertainment formats.

Similarly pessimistic was John M. Triantafyllis of Athens-based JT TV Film International, who offered the following assessment: "Due to the current economic situation in Greece, the motto of the station management is to keep cost cutting, acquire programs that are either cheap to produce or cheap to license and make do with what is available in their stock.

"In 2008 there were a total of 77 new local productions, with the majority from Mega and Antenna. Last season there were only 10 local productions and they were


RTE's Dermot Horan


Lionsgate's Peter Iacono

discontinued sooner than anticipated, as they were not generating the ratings and consequently advertising revenues. The local productions consisted mostly of formats and reality programming.

"As far as advertising is concerned, during January-February 2011, there was a reduction of 27.31 percent in total TV advertising income, reaching 71.82 million euro in comparison to the same period in 2010, when it was 98.8 million euro. It is anticipated that for the whole of 2011 there will be a decline of almost 60 percent from 2008 in advertising revenues, estimated now at between 280 million euro and 320 million euro.

"Mega tends to absorb the lion's share of the advertising investment, which in February 2011 reached 13.4 million euro, followed by Ant1 with 10.6 million euro. Star Channel came in third with some 6.5 million euro, leaving behind Alpha with 6.4 million euro. Alter TV was left in fifth place with 3.77 million euro, while Net's advertising income reached around one million euro and the rest of the TV stations shared more or less 100,000 euro.

"Another deciding aspect is the outcome of Elefteri Tileorasi/Alter Channel, after it filed for Chapter 99 (bankruptcy), as the owners believe this is the only solution to its current problems. The court decided to grant the Chapter 99 protection for a period of four months. The channel has had four months to settle the debt. Since last August Tasos Kazinos is the new CEO and CFO of the station," Triantafyllis said.

These are clearly tough times, but for those who are prepared to live with the current realities there is still business to be done. As RTE's Horan put it, "we have been doing business in Hollywood for 50 years and we have been understanding when the studios have gone through tough times, and they are being understanding now. The balance will change, maybe not for another two or three years, but it will change, and this is a business about relationships."


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U.S. Studios Challenges

(Continued from Cover)

middlemen will become studios on their own. However, in this latest corporate game the match is yet unresolved.

This is what we understand: Studios are moving into several different digital delivery initiatives — on one side B2B, for a fully automated tapeless delivery of content to clients (the so-called tape-to-file, in order to eliminate physical media. See separate story on page 40), on the other side B2C, for the purpose of eliminating intermediaries and to quickly replace declining DVD revenues.

Indeed, the studios have both an immediate and a long-term challenge. The first is to replace DVD revenues (which used to reach $20 billion a year) with digital sales, which, in turn, would allow the production of more movies. (With the demise of DVDs, studios cut movie production from 204 in 2006 to 141 in 2010). The long-term problem is not to give away the store to Internet companies ("Incos").

Why, after all, do studios have to pay "commission" on their product to middlemen in the linear business such as TV stations and cable networks; in the consumer areas, such as home video stores; in the theatrical arena, such as cinemas; and in the digital realm, such as Apple, Google, Yahoo, Microsoft, Amazon, AOL and Netflix?

But this is not all. By continuing to supply content to Incos, the studios are basically selling digital media the rope with which the studios will be hanged. Indeed, the ambition of Internet companies to become media companies is not new. It began in 1995 when telco's MCI invested $2 billion in News Corp., proceeded in 2001 when Yahoo hired Warner Bros.' Terry Semel (he left in 2007) and continued last year when Yahoo hired Ross Levinsohn, a former News Corp. executive.

However, the biggest precedent of them all is when, in the year 2000, Time Warner (TW) merged with AOL, possibly anticipating the inevitable amalgamation between online distributors and content providers. Reportedly, at that time TW CEO Jerry Levin was thinking about how to transform TW for the digital age by looking at Yahoo as well. The merge was widely maligned (by *VideoAge* too) and failed for several reasons, including bad execution, a clash of cultures between content and Internet executives, and the 2000 Internet bubble. But most importantly — it was well ahead of its time.

This is what we suspect: Digital companies are mammoths just as big as the studios. Imagine, Disney, a company valued at $80 billion and revenues of $39 billion a year, is compared in a Yahoo Finances report to Amazon (valued at $80 billion with revenues of $37 billion). Apple (valued at $290 billion with revenues of $87 billion), Microsoft (valued at $168 billion with revenues of $68 billion) and Google (valued at $139 billion with revenues of $31 billion), together with Yahoo, Amazon and Netflix could easily match the financial power of the six major U.S. studios. With its $7 billion cash reserves, Amazon could easily mount a takeover of a U.S. studio, especially considering how traditional media companies, in the scheme of things, have become relatively small (see related story on page 46).

For now the confrontation is kept at a minimum since both mammoths need each other. Indeed, as the recent CBS second quarter results showed, the studio is receiving about $200 million from Netflix (for the U.S., Canada and Latin America) and will be getting an estimated $100 million from Amazon, both over two years. Reportedly, CBS is negotiating similar deals with Microsoft and Facebook. However, none of the content licensed to digital distributors is currently on the air. Similarly, NBC Universal sold streaming rights to Amazon for 1,000 movies. Recently Amazon launched Prime, a video subscription service with five million subscribers.

Nevertheless, studio executives are vocal about their new competitors. At a recent Royal Television Society conference in London, Warner Bros. CEO Jeff Bewkes, for example, joined other studio executives (such as Viacom's CEO Philippe Dauman) to complain

about Apple TV's low-cost rentals.

Nowadays, all major Incos, including Google and Yahoo, are buyers of studio product, which will ensure the supply of content at least over the medium term, but there are signs that at least some studios are becoming reluctant to cut new pay-TV deals. This is because Incos, such as Apple, want to get one notch above the studios, and become what the studios used to be, a consumer provider of all entertainment needs: music, movies, TV and games.

Last March, Netflix, 25 million subscribers strong, commissioned its first original series, a U.S. version of U.K. political thriller *House of Cards*, for an estimated $100 million. Not to alarm the studios, Netflix announced that original content will be a small part of the company's line up.

Meanwhile, Yahoo's Levinsohn wants to make the Inco a media company with its own full-fledged TV network. Yahoo already has sports and news channels that are watched by 18 million viewers. However, according to an article in the *Financial Times*, Yahoo will not be investing $100 million for original series as Netflix has done. Instead it aims to produce up to 30 percent of its own content. Currently, Yahoo produces about 200 episodes of 20 original series a month.

The studios are also aware that the poor economy is helping the Internet companies. It has been reported that about 15 percent of U.S. TV households (TVHH) receive TV with aerials, plus 15 percent of TVHH do not have pay-TV subscriptions. In addition, according to Craig Moffett, an analyst at Sanford C. Bernstein & Co., U.S. telecommunication and cable companies have a "poverty problem." Many lower-income consumers (estimated at the bottom 40 percent of U.S. HH) are shunning pay-television services because they can't afford them, Moffett wrote in a May 25, 2011 report. Instead, they are turning to cheaper alternatives, making video-streaming services and other "good enough" options more appealing.

The short-term plan for the studios has been the development of UltraViolet (UV), a consortium of U.S. studios (excluding Disney) for a cloud-based system to be launched soon for electronic sell through (EST). This is to keep the retail business model going, since profit margins on an EST are much higher than a DVD sale (which averages 65 percent) because there are no manufacturing costs. At the same time, UV allows studios to keep a sort of "stable instability" with their middlemen.

UltraViolet is a "cloud-based" system where content doesn't sit on the computer (or the consumers' own storage device) but in the retailers' system or "cloud." When the content is stored in the consumers' devices it's called a download (and can be a rental or a sale), while if content sits on "cloud" it is streamed from any device and, once again, it can be rented for a period or acquired as EST.

But, history shows that consortiums like UV have rocky corporate structures, as the Hulu experience demonstrates. With close to 27 million viewers per month, Hulu can be considered a success, however its ownership structure (Disney, News Corp. and Comcast/NBC Universal) created conflicts of interest that prevented Hulu from growing.

What is also problematic for the studio owners is that they've enhanced their own competition, if Hulu is sold to one of the Incos as it has been predicted.

So, the battleground is shaping up, since neither camp wants ultimately to be dependent on the other. The Incos have the delivery services to reach the masses, but need content from the studios. The studios have the popular content, but need extended delivery services. The solution is for both to gradually enter each other's field, and they have the financial power to do it.

It is thus envisioned that, in the near future, the six major studios will be competing with a similar number of Incos, which will have become bigger than any media company.

Conferences & Events News

Expect More Traveling Costs

So far in North America, the largest average air ticket price increase (20 percent) has been to Montreal, Quebec, and the lowest increase (three percent) to Boston, MA. According to the Travel Management Institute, 38 percent of air booking by the media and communication industries is done online.

As for costs, several reports indicated that U.S. domestic corporate air costs have generally increased from 2011. The largest increase of 11 percent is from SouthWest, followed by United Airlines (seven percent), and Continental and Delta, both at four percent.

As far as international travel is concerned, U.S. carriers see more growth, averaging 3.8 percent compared to 2010, with the largest increases from Alaska Airlines (8.8 percent) and American Airlines (6.2 percent).

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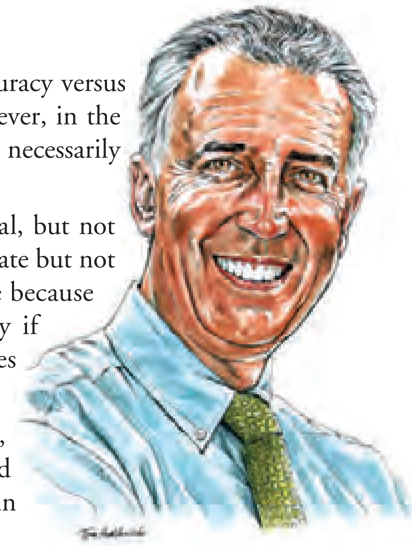
My Two Cents



In physics there is accuracy versus precision, and in the news business we have accuracy versus impartiality. In the former case, there cannot be accuracy without precision, however, in the latter case, accuracy requires some degree of impartiality, but impartiality doesn't necessarily require accuracy.

A news story can be accurate, but not impartial. Conversely it can be impartial, but not accurate. For example, reporting only certain, selective facts makes the story accurate but not impartial. On the other hand, the story can balance all sides, but not be accurate because of omissions or because it reports misleading comments. Balanced reporting is tricky if the premise is false; especially if the counter argument is so weak that the false premises become more appealing.

Plus, we know that reality exists only in each individual's consciousness, therefore, technically, there is no such thing as objective accuracy and impartiality (often bundled as "truth"). Impartiality is also different than objectivity and even if both could mean "neutrality," in many cases they are listed separately.

In an editorial, *The Los Angeles Times* wrote: "Journalism that serves society does not always spring from objectivity."

Then, in the news business, is accuracy more important than impartiality? In addition, do impartiality and balanced reporting mean the same thing?

Naturally, the apparent answer is that accuracy and impartiality are equally important, but in media one of those requirements should be more important than the other.

The question then becomes: Which one? My argument is that accuracy is far more important than impartiality, even though the choice is somewhat blurred.

It's a formula that seems to work

In the U.K., the BBC charter lists both accuracy and impartiality as equal. Similarly, the U.S. Society of Professional Journalists' Code of Ethics' guidelines require that news, in whatever form, must be reported with due accuracy and presented with due impartiality. On the other hand, the American Society of Newspaper Editors Statement of Principles, originally adopted in 1922 as the "Canons of Journalism," lists as article IV "Truth and Accuracy" and under it, as article V, "Impartiality."

Indeed, by some views, impartiality can even be considered an attack on press freedom. Getting rid of impartiality means letting everyone express their opinions, therefore a plurality of views is provided.

By analyzing accuracy in media, we also encounter "responsible journalism" and evidence-based journalism. Responsible journalism could also mean reporting news only when it doesn't do any harm. This was the case with baby food poisoning in China, which was reported after the Summer Olympics so as not to give the country a bad image.

Finally, does a bribe (i.e., paying the news source, no-matter how justified) disqualify the news as both biased and inaccurate?

Accuracy and impartiality in news are also a function of the market, as News Corp.'s FOX News has shown in the U.S. Comedians, such as Jon Stewart of Comedy Central's *The Daily Show*, have reported how FOX News fabricates news in order to satisfy its particular audience.

Indeed, biased news is a function of the audience and FOX News simply fills a need of people demanding to hear not necessarily the actual truth, but what they perceive as truth.

Conversely, in Italy, News Corp.'s Sky News 24 is hailed as the most accurate and impartial news service in Italy. This is because in Italy, both state broadcaster RAI and commercial broadcaster Mediaset are controlled by Prime Minister Silvio Berlusconi and Sky News 24 offers an alternative. Indeed, in Italy, News Corp. has created the most accurate and impartial news service, fulfilling a need, since all the other news programs are now biased in favor of the prime minister.

In these cases, impartiality is a marketing function and a direct consequence of profitability versus public service. On the other hand, it's dishonest to pretend journalists don't have views that can influence their reporting.

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BOB SHOCHET

FOUNDED IN 1981
MEMBER OF NBCA
(CIRCULATION)

VIDEO AGE INTERNATIONAL (ISSN 0278-5013 USPS 601-230) IS PUBLISHED SEVEN TIMES A YEAR: JANUARY, MARCH/APRIL, MAY, JUNE, JULY, OCTOBER AND NOVEMBER/DECEMBER. PLUS DAILIES BY TV TRADE MEDIA, INC. SINGLE COPY U.S.$9.75. YEARLY SUBSCRIPTION U.S.$45 (U.S., CANADA, MEXICO); U.S.$60 (U.K. AND EUROPE).

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